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ABSTRACT

This manual represents an educational program designed for public officials, interested citizens, and professionals interested in improving the economic climate of the municipality or region. Its purpose is to teach economic development skills, thus enabling participants to develop community economic growth plans. Focus is on four essential technical aspects of community economic development: (1) strategy and analysis, (2) financing and taxes, (3) land and buildings, and (4) promotion and selling. The subject of the first chapter is strategy for development based on specific community assets and growth needs. Chapter 2 focuses on financial incentives, tax programs, and the arithmetic and accounting of economic growth. Chapter 3 inventories and classifies land and buildings and discusses ways and means of creating new buildings and preparing additional land for efficient commercial or industrial development. In chapter 4 methods are described for promoting and selling an idea, piece of land, or building to a prospect who will create a new source of economic activity and employment. Appendixes, amounting to one-half of the manual, include four case studies, an article containing a practioner's notes on a successful area industrial development program, listing of Michigan economic development corporations, and bibliography. (YLB)

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MICHIGAN ECONOMIC DEVELOPMENT EDUCATION MANUAL

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INDUSTRIAL DEVELOPMENT DIVISION
INSTITUTE OF SCIENCE AND TECHNOLOGY
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The Industrial Development Division is a unit of the Institute of Science and Technology of The University of Michigan. The Division was established to accomplish two of the purposes of the Institute as stated in the Bylaws of the Board of Regents of the University; namely, "to serve as a center of science and technology," and "to encourage, support, and conduct research in all fields of pure and applied science, engineering, and technology, which are potentially important to the future business and industrial development of the State of Michigan...." An important phase of the Division's research program has been the study of various Michigan industries, their relation to similar industries elsewhere in the nation and abroad, and the effect of modern science and technology on these industries. Such studies aid in the improvement of the competitive position of Michigan companies as well as contribute to the general industrial development of the State.

In addition to carrying on research and publishing the results of such industrial studies, the Division sponsors seminars and workshops for industry and maintains a liaison service to promote the flow of information between faculty and research groups within the University and industrial firms.

PREFACE

The Economic Development Education Program, launched in 1978 by The University of Michigan's Industrial Development Division, has responded to community economic problems and opportunities through a series of community-based seminars for public officials, local government employees, business people, and other interested citizens. These community leaders have sought a better understanding of economic forces and development techniques to attract and maintain industry and jobs in their communities. The seminars, along with this publication, teach economic development skills thus enabling participants to develop community economic growth plans.

This program addresses issues of employment and career mobility, a State Board of Education program priority for Title I-A Higher Education Act Community Service and Continuing Education awards. During 1978-79, program sponsors conducted activities that assisted an estimated 500 community members.

We have been impressed by the broad, positive public response to the Economic Development Education Program. Participation in the seminars has far exceeded expectations.

A primary objective of this program will be to institutionalize the process of filling this continuing education need over time. This is a challenge to the organizations and institutions involved. Participation by the Michigan Industrial Developers Association and the Michigan Department of Commerce has been especially important in guiding the program. Staffs of the multi-county planning regions have contributed insight and assistance. Community colleges which have hosted the seminars are beginning to develop supplementary curricula and follow-up workshops. The demonstrated cooperation between State Agencies, higher education institutions, and local communities promises an expanded program over time and continuing improvement in State and local economic development.

Eugene T. Paslov
Interim Superintendent of Public Instruction
Michigan Department of Education

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SUMMARY STATEMENT

MICHIGAN ECONOMIC DEVELOPMENT EDUCATION PROGRAM

There is excitement in new community developments. They are built on hopes for new jobs, better work opportunities, and visions of new buildings complete with steel and glass. There are thoughts of new customers, clients, bank deposits, and investments. Overlaying all of these hopes and dreams is the satisfaction that we are working to make them become reality--and even more important--that we are working on them together as a community.

Even though most of us are wise enough to recognize that things seldom go exactly as we have planned, we do know that good things can result from work. We also know that very little will happen unless we try. Furthermore, if we don't try to accomplish some planned projects as a community, one of two things is quite likely to happen instead. Either the community will tend to decline or it will grow along lines controlled by others. As a rule, neither of these results is considered desirable by people whose lives and investments are wrapped up in the local economy.

Communities, like all living things, are never static--although superficially they may appear to be. Within the fabric and composition of the community, important changes constantly are taking place, for better or worse. Population characteristics are changing. Profitability and property values are changing. Competitive capacity and job security are becoming stronger or weaker.

Our purpose here is to give some thought to the status of our communities and to learn something about the options that are open for community development and the actions necessary to achieve these goals. To be specific, following this introduction are four detailed chapters on important aspects of community economic development work.

We emphasize the word "work" because, after all the discussion and planning, sound community economic development boils down to work. Successful ways of working at development have been proven over a period of 100 years. Ideas and precedents can also be borrowed from other areas.

Success sometimes comes as a result of great community effort generated by an economic emergency, a plant closing or cutback. A national recession triggered an idea that led to the formation of The Industrial Development Division of The University of Michigan in 1957. Governor Williams, a Democrat, and a state legislature controlled by Republicans asked The University of Michigan to set up an institute especially designed to transfer the technical know-how of the University for the benefit of industry and commerce in Michigan. The principal objectives were new jobs and economic growth. The Regents of the University responded with enthusiasm to set up a development program. Over a period of nearly twenty years, the Industrial Development Division has tried to work at the cutting edge of new technology and its application to industry and commerce.

The programs of the Industrial Development Division include research and the distrubution of information through conferences and publications. Dozens of conferences have been held and scores of publications have been distributed. The Division has always been responsive to requests and specific suggestions from the governor and the legislature; after all, that is how it got its start.

Now we have a Republican governor and a legislature controlled by Democrats. And the call for University technical support for economic growth is as loud and clear as it was in the fifties. This training program is basically a response to that need for technical backup for community development efforts.

In this case, the Michigan Department of Commerce and the Michigan Department of Education have teamed up to make this publication and a series of training sessions possible. The two state agencies were responding to an initiative by the Michigan Industrial Development Association whose Education Committee has been working on the issue of training for over a year. Financial support comes from a special federal-state program designed to create new education efforts to meet changing public needs outside and beyond the basic programs of education.

This education program will concentrate on four essential aspects of community economic development. Briefly, the four technical areas are:

1. Strategy for development based on specific community assets and growth needs. Every community is unique and has a specific set of advantages which makes it a little different from its competitors. Finding and defining these advantages and organizing to capitalize on them is the subject of the first chapter.
2. Financial incentives, tax programs, and the arithmetic and accounting of economic growth are the focus of the second section. The Michigan legislature has created some new financial tools for communities to use to achieve their growth objectives. We will review them and discuss ways of using them as well as the costs and benefits of their use in the community.
3. Land and buildings are the physical components of economic growth. We will inventory and classify these items and discuss ways and means of creating new buildings and preparing additional land for efficient commercial or industrial development.
4. Finally, we will dig into the actual methods--promoting and selling an idea, a piece of land, or a building to a prospect who will create a new source of economic activity and employment. Marketing specialists are fond of saying that nothing happens until somebody makes a sale. This

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> is as true in economic development as it is in the commercial and industrial world. All our hopes and much of our work will be lost unless somebody makes a sale.

To illustrate each of four program elements we will cite specific case examples (see Appendix A). These cases can be observed and studied for possible implication for your own community. They can be imitated or rejected, depending on their applicability and the publicly accepted goals of your community.

As a final point we might recognize that training for effective economic development in the community is not a simple one-time process. It is an ongoing process that will require attention, application, and review as long as the community exists. The nation's largest cities are still working hard on economic development. To accomplish this purpose we will make every effort to integrate the training process into the institutions of the community and the region. We will be working with regional educational institutions, with local and regional governments, to assure that the economic development training process continues.

The payoff for the community may be more industrial jobs, more service industry, and potentially any other growth or development objective which the community accepts and is willing to work for. We should conclude with the emphasis again on work, because without work, all our plans and training are empty, but with enough work, almost anything is possible.

CHAPTER I

STRATEGY AND ANALYSIS

Many Michigan cities have witnessed far-reaching evolutionary changes in the economic importance of local resources. Some boom towns of the last century's lumbering era busted, while others succeeded in converting to another economic base. Mining activity crested in the early years of this century. Then the deep shafts crumbled in their turn.

The strength of state farm production and interstate agricultural trade has ebbed and flowed repeatedly. National trends in production, marketing, and consumption have had a big hand in these fluctuations.

Prospects of cheap labor and a quiet life lured representatives of major industry to Northern communities, but they discovered that in some areas the workers could be as demanding as their union-brothers downstate.

Sustained growth in leisure activities promises new opportunities for Michigan towns with undeveloped aesthetic appeal. Yet this trendy industry has dealt an empty hand to many existing tourist centers that have become unfashionable or inconvenient.

Oil and natural gas discoveries have brought a recent wave of unexpected prosperity to a handful of strategically located communities. Texas dollars can be expected to stop flowing in, however, almost as soon as the pumps and processing plants are in place or the petroleum begins to flow out.

Chance events can play a brief, dramatic role in the ups and downs of a city's living standards. Yet over time, the deciding factors in the economic success of any community cannot be left to chance. Resources can be found almost anywhere. The imagination, ability, and enterprise required to harness them comes and goes on two feet.

Exploring Active Alternatives

When economic miracles seem to happen, it is often because outside influences have taken the initiative. They have supplied knowledge, organization, risk, and effort to mobilize local resources. Some benefits may fall to the community, but more permanent value may accrue to the initiator. He gains additional knowledge and organizational skills from the experience. He can use the profits and expertise derived from one venture to launch others in other locations.

Communities that rely too heavily on the chance appearance of outside entrepreneurs not only tend to sell their resources short, they fail to gain many lasting benefits from the transaction. When the resources and the outside experts have all gone, they have only the hope of another seeming miracle to follow.

The central purpose of economic development activity is to increase the control that a community has over its own economic destiny. There are many ways that this can be accomplished. The key to successful development strategy seems to be the quality of fit between community assets and problems, and the components of the development effort. Major Michigan cities utilize large numbers of staff specialists within a highly structured organization to satisfy daily demands for information, policy determination, and crisis intervention (i.e., plant closings, pending bankruptcies, strikes) within a never-ending development program. In a small city a handful of dedicated individuals with the devoted support and assistance of government and community leaders can achieve as much in proportional terms.

Taking Stock and Setting Goals

The first step towards a community-controlled mobilization of local resources--natural, human, capital, and technological--is to take stock of existing assets and problems within the community. This should be followed by an examination of community goals: near- and long-term objectives for the solution of problems and the enhancement of assets.

Goal assessment has emerged as an important step in many successful economic development programs. Before setting off on a voyage with 100-year consequences, city residents ought to seek general agreement on where the destination lies. Without it, group dissension can erupt to seriously undermine the efforts of any program. It is well worth the time and the risk to get potential competing interests involved early and to urge them to help set the course. Everything that follows, then, can be an expression of broadest community interests.

Both the exercises of taking stock and setting goals provide opportunity to include citizens not ordinarily involved in government or chamber of commerce functions. Self-motivated participants can help to identify reluctant opinion leaders in the community and to draw them into the discussions. One widely used method for doing this is to ask everyone who appears for an initial meeting to list three people in town whom they rely on for advice or whose opinion they respect highly. Personal invitations to attend a second meeting are then extended to those listed. This can be repeated if representation isn't great enough.

As discussions proceed, more and more individuals tend to recognize the value of meetings to analyze community resources and to project immediate and long-range goals. Many find they have a personal stake in the outcome. Future economic development group leadership may emerge. The strength of dissenting opinions can be assessed. The objectives of these early activities are: 1) to reach consensus; 2) to inventory assets and problems; 3) to discover leadership; and 4) to spark sufficient motivation for the creation of an economic development group which will work effectively to achieve community goals, according to priorities expressed at the meetings.

Forming A Group

Community economic development groups may take any of several different forms. Traditionally, a special committee of the chamber of commerce was most common. As other private groups not affiliated with the chamber became interested in economic development, new forms evolved. Many communities now have independent corporations, operating as nonprofit organizations, and occasionally for profit. They are called Industrial Development Corporations or Economic Development Corporations.

Over the past couple of decades, a number of cities and counties have created internal government offices or broad-based government commissions to act alongside or instead of private groups. In 1974, the Michigan Legislature acknowledged this trend toward increasing public involvement in economic development by adopting the Economic Development Corporations Act--to be described in Chapter II.

Avoiding fragmentation of effort and assuring participation by both private citizens and government, some communities have formed "umbrella" groups. These may be nonprofit corporations at the multicounty level or covering some other specific geographic area. All member groups--township, village, city, or county--coordinate their activities for maximum effectiveness within this larger forum.

The organizational structure chosen for a community economic development group should parallel the scope of community goals. Its initial form may be a matter of convenience, but should be flexible and capable of expansion to meet future needs. In most cases the group will serve three fundamental purposes: (1) retaining existing industry and encouraging its growth, (2) attracting outside industry into the community, and (3) spearheading community improvements--physical, institutional, and attitudinal--needed to carry out functions (1) and (2).

Planning the Effort

A translation of community goals into economic development objectives will become the first order of business for any new group. Later, progress can be measured against employment and employer census figures. Objectives are best stated in these terms.

For example, a modest objective for industry retention in the community might be to experience no net decrease in employment by existing manufacturers over the next several years. More aggressive programs might call for the local manufacturing employment sector to increase by 10 percent during a three-year to five-year program period. An ambitious program spurred by a recent plant closing or an established growth trend might inspire an objective of 20 percent growth or more during the program period.

New industry might be expected to add 100 manufacturing jobs per year, or 1000, depending on the size and needs of the community. Type and size of industry sought also can be addressed through formal objectives. An example of this kind of planning has been documented in the Sturgis Case Study, Appendix A.

Achievement of objectives will require a strategy, plus human and capital resouces. Some communities rely completely on volunteer manpower. Others employ professional staff. Capital needs may be met by government funding or private donations. An example of a successful economic development program blending all of the above strategies is presented in the Holland Case Study, Appendix A.

Citizen support for the program is essential. Strategy should be constantly reevaluated by group members and community sponsors. A regular reporting procedure, including evaluation of progress against objectives, may aid in this effort. Then, as some elements of strategy are found lacking, others may be suggested to improve performance.

Determining the Economic Base

One element likely to be included in an industry attraction strategy is a "target industry" approach. This may involve an initial analysis of regional income and outflow factors. For this purpose, cities of any size are viewed in interregional economic terms, as mini-nations. Their balance

INVENTORY OF COMMUNITY ASSETS AND PROBLEMS

Government

- form
- taxes and rates
- assessment policy
- zoning
- building codes

Services

- fire protection
- police protection
- refuse removal

Population

- demographics
- trends

Housing

- home ownership
- construction starts
- average housing cost
- rental availability
- rental costs
- condition and care

Health Care

- number of doctors, dentists
- hospital facilities
- local costs of care
- extended care facilities
- senior citizens health

Financial Services

- bank loan policies
- private investors
- other local sources

Utilities

- availability and rates
- gas
- water

Churches

- number and denominations

Accommodations

- number and quality of hotel rooms
- meeting facilities

Shopping

- shopping centers
- major department stores
- specialty shops
- distance to regional shopping

Entertainment

- theatres
- music performances

Culture and Recreation

- local groups
- libraries
- parks
- sports facilities

Postal Service

- type and frequency

News Media

- newspapers
- TV and radio
- local coverage

Existing Business

- supply and service companies
- kinds of industries
- commercial establishments
- business attitude

Transportation

- types available
- adequacy and access
- rates and tariffs
- regulation

COMMUNITY INVENTORY (Continued)

Utilities (cont.)

- phone
- electric

Labor

- availability
- characteristics (age, skills, etc.)
- wage scales
- absenteeism/turnover
- unemployment
- unions and labor relations history
- labor laws

Economic Indicators

- land values
- retail sales
- per capita income
- assessed valuation

Natural Resources

- types and quantities
- commercial quality
- processing technology
- conservation and renewal

Education

- public schools
- parochial schools
- vocational education
- higher education and research
- adult education programs

of trade with other regional economic units is evaluated. Local businesses that export goods or services are singled out for special attention. They are considered to be the "economic base" of the community, indirectly contributing to the prosperity as well as the growth of all other businesses in town.

These "export" companies draw new money into the city. It is channeled into employee wages, capital investments, or speculative investment. Some of this new money buys retail goods at local stores. Some buys life insurance policies from the local agent. It is deposited in bank savings accounts, creating funds for loans used to open new city businesses. Another share of this new money keeps local construction contractors and their employees working.

"Economic base" businesses stimulate community economic growth in proportion to the size of their operations. Each dollar of salary or wage paid by one of these companies multiplies itself several times as it passes through the hands of retailers, wholesalers, service and financial institutions. As a rule of thumb, one "economic base" job will stimulate enough cash flow to support ten people in the community--the "economic base" worker, a couple of retail or local service workers, and the nonworking family members of all three. In Michigan we are approaching the ten million mark in population. Less than four million are in the labor force and only about one or two million can be classified in the economic base of the state. This leads to the ten to one ratio and points up the vital importance of each "economic base job."

Developing a Target Approach

Many small cities can look to only one or two businesses that play the economic base role in their local economy. When these enterprises flourish, the city grows. If more "economic base" businesses can be attracted into town without stifling successful existing companies, growth speeds up. Eventually, the collective patterns of company profit and loss become a greater community concern than the simple numbers of "economic base" businesses in town. Then, according to the "target industry" approach, the emphasis of economic development activity should shift from attracting any-business-that-will-come to that of attracting companies that will improve the overall mix of growth-stimulating businesses. When this mix includes both cyclical and countercyclical industries, the community may achieve balanced growth--more feast and less famine.

Once city economic development officials have identified the businesses that make up the local "economic base," they can select general categories of industry that will best complement the existing mix. Next, they can compare individual company characteristics and requirements with the inventory of community assets and problems that was generated in the series of town meetings. This will provide a rationale for selecting the best prospects for further study, and action.

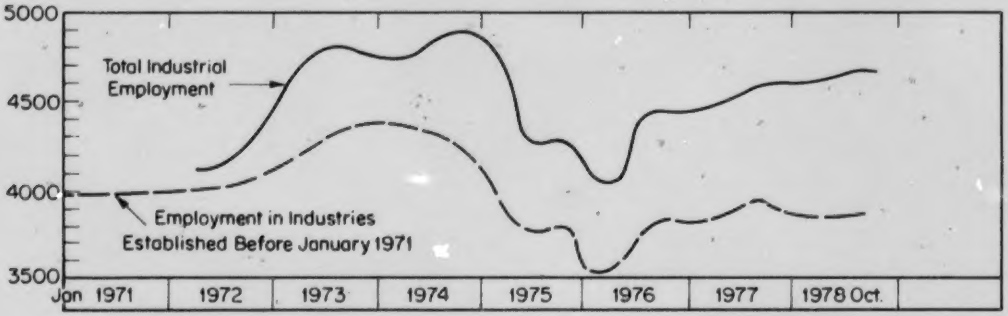
Understanding Business Needs

Fundamental economic concerns of all businesses include: the proximity of raw materials; the cost of distribution; the productivity of the labor force; the cost of capital facilities and equipment; the quality of life/environment near the work location; and the ease of communication with suppliers and distributors. Individual companies rank the importance of these factors high or low depending on the nature of their product and the size and location of their market.

For example, a grey iron foundry may put primary importance on the proximity to markets and the cost of transportation because the finished products bear high transportation costs relative to their delivered value. Shipping costs may be computed on the basis of weight, bulk, and distance.

Over a period of five years, this Michigan city added more than 700 new economic base jobs through economic development activity. Employment among existing companies declined by 400 jobs, leaving a net gain of 300 jobs in the community.

EMPLOYMENT IN STURGIS INDUSTRIES 1971-1978



An electronics manufacturer can ignore the top concerns of the foundry and instead focus greatest importance on the productivity of the labor force and the cost of capital facilities. Light and compact, electronic products ship cheaply, but the wages of a skilled labor force and the costs of sensitive assembly and test equipment run high.

A tourist facility developer may rank quality of life/ environment paramount and availability of transportation as another top concern. The location of the completed facility must attract customers convinced of its appeal by travel agents and advertising.

A soft drink producer can safely deemphasize quality of life/environment near the workplace, but will rank proximity to markets high because of the relative importance of cost of distribution. The product is low value, heavy, and may be perishable.

Recent examples of factors influencing Michigan location decisions include Mead Paper Company's facility for the production of pulp and fine book paper located in Escanaba. Pulpwood, the raw material for this plant, abounds in the upper peninsula. It can be transported to Escanaba at relatively low cost. This same economic factor has led Champion International Company to build a similar facility near Iron Mountain.

Kimberly-Clark Company's recent commitment to launch a new sanitary paper products plant near Battle Creek hinged on its strategic location for serving markets in the area, coupled with the availability of an excellent physical site adjacent to a fast-flowing river able to accommodate the facility's wastewater discharges. Availability of woodpulp was not significant in this case since raw material for the plant will be primarily recycled paper and processed pulp.

The decision of North Star Steel Company to locate a mini-mill in Monroe depended on two major factors, the availability of scrap steel supply and the proximity of markets for the steel products which the facility will produce. Transportation flexibility was another factor. The Monroe plant site will allow shipments and deliveries by barge, rail, or truck.

Ford Motor Company's decision to build its major plastic parts facility at Milan depended on a number of factors including the availability of an excellent existing plant, a site on which the facility could be readily expanded, proximity to the company's other basic manufacturing facilities, and a good labor force from which to draw production workers. Similar factors were important in the decision by General Motors Hydramatic Division to locate a new operation in Three Rivers, plus a satellite plant in nearby Constantine, as well as the expansion of existing facilities near Ypsilanti.

As possible target industries are identified, economic development officials can begin to focus on community assets and problems most meaningful to these prospects. All persuasive communication, then, should feature the unique community characteristics calculated to interest the targets, but they also should tell the rest of the story, even if some painful honesty is required. No town is perfect. Pretenses that your own is the exception may be interpreted as charming naivete or not-so-charming dishonesty. If a snow job succeeds in attracting a company that will suffer reverses in your city's real environment, the credibility of the economic development effort might be damaged for years.

Improving the Business Environment

This discussion of communication strategy points up the underlying importance of an often neglected role that successful economic development groups must play--working to improve the existing business climate. If the true picture is too discouraging to justify a convincing sales pitch, there may be a lot of preparatory work required.

Everything from clean-up and paint-up programs to millage campaigns for new school construction could figure in the effort. In order to ensure the long-term effectiveness of economic development efforts, business climate improvement programs should be ever-alert and never-ending.

It is hard to measure the impact of an eyesore in the community, but it does seem to breed others. A town that loses one business due to neglect for each one that it gains is never a step ahead. This year's decline in city educational facilities and programs may foster future community problems--unemployment, crime, population decreases. The philosophy of this portion of economic development activity is to make the very best of what you have and then add more...of the best available.

Including Economic Extras

Besides the grand total of community assets, and its very important component, business climate, there are many extra incentives that can be used to seal a bargain with a company likely to locate in town. These range from tax advantages to construction of industrial and commercial buildings. Some economic developers tend to downplay the attraction value that these incentives add to the total package, comparing them to frosting on the cake. They quickly add that economic development has become an increasingly competitive field and the cake rarely sells without the frosting.

Many other economic factors are more significant in site selection than incentives. Yet the first thing many companies may inquire about is incentives. One reason may be that the company has already considered all other factors and has reached the point at which the relatively small difference of a tax break or a special financing deal becomes an important element in choosing one site over another. If the company in question is a footloose industry, which could go almost anywhere, incentives may be very significant. If the company faces a choice between two states, or two communities, in which other factors are equal--where the proximity to markets and raw materials and the cost of labor are similar--both business climate and incentives may play significant roles.

Among available extra incentives is a collection of Michigan tax and financing programs that can apply to new business locations as well as expansions of existing industry. Knowledge of these incentive programs is invaluable to local economic development staffs. A variety of loan programs and matching-fund grants are available to communities for economic development purposes. Cities can create property tax advantages for new business arrivals and expanding existing companies by freezing assessments or halving millage rates for several years. The economic development group can establish a business loan fund or arrange for the guarantee of loans made by a local bank. These tax and loan incentives are discussed in detail in Chapter II of this manual.

The rest of the incentive package stretches to the limits of the imagination. Inexpensive city-owned land, improved construction sites, speculative shell-buildings with all utilities in place, free or discounted city services like refuse removal, water, or fire-protection equipment installations--all have been used to seal a deal or get one rolling.

When cautiously applied, these extra incentives will help pull new economic strength into a city without eroding the existing "economic base." Conditions for their application should be clear and fair to all. The cost-benefit consequences of incentives offered to new or expanding business should always be a net gain for the community, its citizens, its government, and its existing businesses. Like the old adage--a bird in the hand is worth two in the bush--economic development programs should always look inward while seeking elusive outside gains.

Putting Growth in Perspective

Many people believe that economic development mostly is concerned with industries moving from one place to another. This includes the common notion that there is a great "exodus" of industry from certain areas of the country. However, relatively few industries actually do move from one place to another. It is the exception, rather than the rule.

Only the largest companies construct new plants on a regular basis. While they may locate assembly and marketing facilities all over the map, key component production tends to expand from an existing base of operations, dependent on a trained labor force, existing supply and distribution lines, and fixed capital assets that cannot be converted economically to other uses. When a major production facility becomes hopelessly obsolete, the company may cease that operation entirely, build next door, or break new ground hundreds of miles away. If a valuable portion of a declining facility can be used in-place, it may become an opportunity for rehabilitation efforts instead of new construction.

Small manufacturing corporations rarely build new facilities. It may happen once in a generation. When it does, business owners usually prefer to remain in familiar surroundings, and to retain traditional supply and sales contacts. A move is most probable when new equipment or processes will not fit into an old building and expansion is impractical. It may also follow a sharp decline in sales--the company must retreat to more economical accommodations.

The Office of Economic Development (OED), Michigan Department of Commerce, each year deals with many companies considering the establishment of new facilities in Michigan, or perhaps in another area. In one recent month files were opened on 18 companies considered qualified prospects; companies that were considering establishment of new facilities, locating them in a Michigan community, and willing to work with OED. A similar number of files were closed including three which chose Michigan locations, and others which either located elsewhere or for some reason abandoned the project.

In some months a smaller number of new prospects and a greater number of successful locations are involved. Very few of these companies consider removal of operations from one place to another. In all but a few cases the company seeks a location in which to expand current operations. Sometimes companies have grown to the point where they are unable to continue in their initial plant. At that time they may wish to relocate, but typically they will prefer to do so in the general vicinity of the original location.

Much publicity about industries moving from one state to another has confused expansion with relocation. There certainly have been cases where companies have removed their operations altogether from a state. But one often reads about construction of a new auto assembly plant, for instance, as though this were a move from one state to another. Actually, the auto industry has continued to increase its production capability in most of its traditional locations around the country. No one should be disturbed about news that one major corporation has built a new plant in a distant city to serve the market in that region.

Many companies continue to expand their base operations while at the same time constructing new facilities in other states. For this reason, one of the most productive components of a community economic development program may be industry retention and encouragement of company expansion. Becoming familiar with existing industry's needs and current problems, and acting to resolve them may provide as much long-term community economic growth as the attraction of several new industries.

Understanding the Opposition

In some communities a sizable number of people believe that further growth is both unnecessary and undesirable. It might upset the environment, put an undue drain on resources and contribute to the problems of society. Some communities have adopted a 'no growth' policy and apparently have concluded that they do not need any more economic expansion. In these communities it is a popular argument.

Residents would prefer to keep things as they are, or perhaps have a reduction in both population and economic activity. Local governments and the people of the community have a good vantage point from which to judge what is best for their own area. As long as other communities welcome growth, the state government should not attempt to dictate local action.

Looking at the state as a whole, however, there is an apparent need for economic growth. Expansion of the manufacturing industries which form the base of the economy may be needed to keep pace with competing states or to support population growth which is generally accepted as inevitable for the period ahead. The labor force continues to grow both from population increases and higher participation rates. Rates of increase in population have leveled off from the rates of the 1950's, but the children who were born in those high fertility years now are causing the labor force to swell. Because of the number of people already born and the greater percentage of women seeking employment, the size of the labor force is projected to expand at a significantly greater rate than the increase in population through the 1980's. This means that in the overall picture we must continue to look for new job opportunities for additional labor force entrants for the next 20 years.

In a dynamic economy there are always companies going out of business or shifting their activity to meet technological and market changes. This can cause some attrition in employment--jobs which have to be replaced just to stay even. Adding up these factors--jobs needed to reduce unemployment, jobs needed to provide work for new entrants to the labor force, and jobs needed to replace those lost by attrition--we find that most states' economies will have to provide significant new work opportunities each year through the end of this century in order to maintain reasonably full employment.

As long as a 'no growth' sentiment exists in some communities, others must take an aggressive, pro-growth stance. Their economic development achievements will provide the employment expansion necessary to keep the state economy, as a whole, in balance.

CHAPTER II

FINANCING AND TAXES

State and federal legislation has created a number of programs to provide loans and assistance for economic development projects and to authorize communities to raise larger sums on their own. Included in this chapter are summaries of several current laws that may be utilized singly or in combinations to achieve immediate and long-term economic development objectives.

Some of the agencies to be described will respond to a business' request for assistance, whether the community involved has an economic development group or not. Others require the direct involvement of an established community group. Several programs give the local development group authority to sponsor a variety of financial functions in cooperation with local government--sale of revenue bonds, guarantee of loans, and tax exemptions.

All of the programs contain specific limitations on their use. Some were designed primarily to provide incentive strategies for the retention of existing industry, regardless of company size or profit position. Others were written to rule out direct aid to major corporations and other economically healthy businesses. The federal programs cannot be used to assist companies that intend to relocate, abandoning operations in one state to move to another. Several of the programs provide means for financing community business climate improvement which may be needed to attract outside industry, but stop short of providing actual economic incentives to industrial prospects. Together, they represent a community economic development toolbox, each tool being suited to one or more specific operations needed to get the whole job done.

Many Michigan community development groups have acquired the knack of using one or two of the following legislative programs and have found them to be enough--like a hammer and a pair of pliers, perhaps. Other Michigan cities have sampled the entire toolbox. Certain provisions of some programs never have been tried in this state, and new programs are proposed and implemented nearly every year. In short, there is a lot of opportunity for communities to discover new combinations, with maximum impact on their unique economies.

Economic Development Corporation Act-338 of 1974

(This is a summary statement for educational purposes. Before taking any formal community action, please refer to the complete offical act and use legal counsel. For more information contact: Michigan Department of Commerce, Office of Economic Development.)

A set of guidelines prescribes the way in which an Economic Development Corporation (EDC) may be formed and how it must function to retain its standing under this legislation. As a public corporation, an EDC becomes an independent administrative and financial entity, following its charter by municipal resolution.

Once established, the EDC has broad authority to acquire property, develop land, construct buildings, and finance equipment for either manufacturing or commercial enterprises. Its primary source of funds for these activities is revenue bonds, exempted from state and federal income tax liability. Since the tax-exempt bonds can be marketed with a lower interest rate than taxable-interest bonds normally issued by a private corporation, debt service costs to companies that build or renovate with EDC help can be reduced. Although the special bonds are issued by the EDC, only the private company is responsible for their eventual repayment. EDC involvement merely qualifies the bonds for special tax status. The full faith and credit of the community is not involved.

The total amount of funds to be raised by revenue bonds for a single project is limited to $10 million, provided "the company's capital expenditures in any one location over a period of three years before and three years after the date of issue may not exceed $10 million." Elements of projects that are public in nature--pollution control facilities, housing, convention centers, sports arenas, and industrial parks--are not subject to this limitation. It applies only to land, buildings, and equipment developed for a specific business; the $10 million limitation is designed to provide maximum aid for small or medium-sized companies and to prevent the tax losses which would be involved in huge capital outlay projects.

The law also provides that with the consent of local government, an EDC could condemn land and assert the right of eminent domain. Action of this kind must comply with P.A. 227 of 1972 and the Federal Uniform Assistance and Real Property Acquisition Policies Act of 1972, both of which require a series of hearings and opportunities for court challenge prior to public acquisition of property. Through 1978 no community in Michigan has authorized the condemnation procedure for an EDC. (A listing of current Michigan EDC's can be found in Appendix C.)

Procedures

1. Written application by three or more persons to incorporate an EDC, along with proposed Articles of Incorporation, must be filed with the local government body.
2. The municipal government by resolution authorizes the formation of an EDC and sets the date, place, and time for a public hearing on the matter, inviting competing applications.
3. The hearing occurs. Competing applications, if any, are reviewed.
4. The local government resolves to approve an application and its proposed Articles of Incorporation.

5. The approved applicants file for EDC incorporation--as a public corporation.
6. The local government, through its chief executive, appoints at least nine members to the EDC board of directors.
7. At the board's first meeting, the directors elect officers and adopt rules of procedure.
8. Applications for company assistance are reviewed and area planning and development studies are launched, using borrowed funds--bond issues or notes.

Michigan Industrial Development Revenue Bond Act--62 of 1963

(This is a summary statement for educational purposes. Before taking any formal community action, please refer to the complete official act and use legal counsel. For more information contact: Michigan Department of Commerce, Office of Economic Development.)

Predating the Economic Development Corporations Act by more than ten years, the Michigan Industrial Development Revenue Bond Act permits the issuance of bonds by local government, whether an economic development group exists in the community or not. Like EDC bonds, issues under this legislation qualify for exemption from federal and state income tax liability, giving them clear economic advantages over taxable-interest bonds issued by a private corporation.

There is a $10 million limit on the total amount of company investment to be financed by Industrial Revenue bonds and the company is responsible for debt retirement. "The company's capital expenditures in any one location over a period of three years before and three years after the date of issue may not exceed $10 million." In the case of a project involving federal Urban Development Action Grant (UDAG) funding it is possible to finance a project totalling $20 million--up to $10 million in UDAG funds and another $10 million from revenue bonds. The limitations do not apply to portions of the project devoted to pollution control facilities and solid waste disposal.

Local government units that may utilize the legislation are counties, cities, incorporated villages, townships, or port districts. The bond-issuing municipality leases new or expanded industrial buildings or equipment at a rate sufficient to pay off project bonds at maturity--up to 40 years. However, the act states, "the lessee (company) shall be subject to taxation in the same amount and to the same extent as though the lessee were the owner of the property." This may serve to qualify the company for any tax exemptions on capital improvements offered by the community under other legislative programs.

Businesses that may be aided by Industrial Development Revenue Bonds are limited to companies operating plants defined as "a factory, mill, shop, processing plant, assembly plant, fabricating plant, warehouse or research and development facility or engineering, architectural or design facility, or tourist and resort facility."

Procedures

1. Local government body by resolution notes intent to finance new construction or expansion proposed by a company, subject to Michigan Municipal Finance Commission approval, satisfactory lease negotiation, and successful marketing of bonds. This resolution triggers a 45-day period during which 5 percent of the electorate may demand a referendum on issuance of the bonds; during this period the bonds may not be issued, but negotiations, legal reviews, and other preparations may proceed.
2. The municipality and the company must reach agreement on location, acquisition, costs, type of construction, construction supervision, type of equipment to be installed, and terms and conditions of a lease, or lease purchase agreement.
3. Bond features are designed for private or public sale, usually with the advice of a financial consultant or underwriter.
4. The lease or lease purchase agreement is executed.
5. Local government authorizes the bond issue by resolution, detailing features and specification of the bonds.

6. Michigan Municipal Finance Commission receives and approves bond resolution. (An IRS ruling on the tax status of bond interest and lease payments often is requested at this point--as a safeguard.)
7. The bonds are issued for public or private sale.
8. Construction proceeds as follows: the company constructs the facility and then sells it to the municipality, or the municipality constructs the facility and retains title under the lease or lease purchase agreement.

Downtown Development Authority Act--197 of 1975

(This is a summary statement for educational purposes. Before taking any formal community action, please refer to the complete official act and use legal counsel. For more information contact: Michigan Department of Commerce, Office of Economic Development.)

This legislation invites community governments to create an administrative and planning unit with broad powers and revenue sources, inside self-established "downtown" boundaries. The Downtown Development Authority (DDA) may implement any plan of development necessary to achieve the purposes of the act.

Its intent is to correct and prevent deterioration in business districts, to encourage historic preservation, to condemn and demolish property, to plan and develop within downtown districts, and to authorize the use of tax assessments, revenue bonds, and other financing means to fund its projects.

The sources of DDA funds are many: 1) it may levy an ad valorem tax on real and tangible personal property within downtown districts, 2) the government unit may borrow money, 3) it may issue revenue bonds secured by "the full faith and credit" of the municipality, following citizen approval by ballot, 4) the DDA may create a "tax increment financing plan" in which it devotes increases in tax revenues--"captured assessed value"--to repayment of debts, also subject to citizen approval by ballot, 5) it may collect rents and lease payments on property owned to increase available funds for operating costs and project developments, 6) and finally, the DDA may accept donations from any approved source.

Although more than a dozen Michigan communities have formed DDAs, little has been accomplished concretely to date and planning and financial activities have pointed up several weaknesses in the legislation. For example, "public purpose" is not defined by the act and it has become a source of controversy. The community backing of revenue bonds may be in violation of the Michigan Constitution. Negotiations between DDAs and other local government units concerning the terms of sharing "captured assessed value" revenues have been problematic because the legislation decreed no specific rights and limits. A long-range development plan is not required by the act, making piecemeal projects likely in some communities. Downtown businessmen often are reluctant to serve on DDA boards due to stringent government conflict of interest rules.

A DDA may develop multiple family housing projects and other public facilities, as well as private facilities that serve a "public purpose." Public facilities described in the legislation include: streets, plazas, pedestrian malls, recreational facilities, parking lots and structures, utility lines, and related items. (A listing of current Michigan DDA's may be found in Appendix C.)

Procedures

1. The local government body by resolution notes intent to create a DDA.
2. A public hearing is conducted on the matter, following due public notice.
3. After the local government has addressed concerns raised at the public hearings, it may adopt an ordinance creating the DDA and designating "downtown" boundaries, for areas which need not be contiguous.
4. The municipality's chief executive becomes chairman of the DDA board, appointing eight additional members. At least one member of the board must be a downtown resident, and at least five members must have "an interest in property" located downtown.
5. The DDA board employs staff, implements financing authority, and plans and develops within its boundaries.

Plant Rehabilitation & Industrial Development Districts Act--198 of 1974

(This is a summary statement for educational purposes. Before taking any formal community action, please refer to the complete official act and use legal counsel. For more information contact: Michigan Department of Commerce.)

This legislation was intended to encourage established companies to rehabilitate and expand and to encourage new development by industry. It promotes plant rehabilitation and new construction through tax exemption.

To qualify, a local government unit must levy a total property tax of 30 mills or more, or an income tax. When one of these condition's is satisfied, the municipality may establish a Plant Rehabilitation District or an Industrial Development District. Any designated land area may become an Industrial Development District. Only existing industrial districts composed of 50 percent or more obsolete facilities, according to assessment valuations, may qualify as Plant Rehabilitation Districts.

At the discretion of local government, tax incentives may be offered for up to 12 years for capital improvements. For obsolete plants being rehabilitated, assessments can be frozen at pre-renovation values. Expansion facilities are assessed at current value, but the millage rate may be reduced by 50 percent. Both of these alternative taxes are called an "Industrial Facilities Tax." They are paid in lieu of property taxes on capital facilities, and in addition to payment of continuing regular taxes on land (specifically excluded by the act).

Types of business that may receive special tax status under the legislation are those operating plants, "the prime purpose and use of which is the manufacture of goods or materials or the processing thereof by physical or chemical change, or the operation of a theme and recreation park located in an industrial park district." Related engineering, research and development, and warehouse facilities under the same ownership as an existing manufacturing operation may also qualify. Local governments that may establish Plant Rehabilitation Districts or Industrial Development Districts are a city, village, or township. Local action is reviewed at the state level.

Procedures

1. The local government body, on its own initiative or at the request of industrial facility owners, by resolution notes intent to create a Plant Rehabilitation District (rehabilitation or replacement) or an Industrial Development District (new construction), or both.
2. The municipality conducts a hearing on the matter, following due public notice.
3. Finding that 50 percent of plants in a proposed Plant Rehabilitation District are obsolete, the government body passes a resolution to this effect.
4. Setting boundaries, the municipality passes a resolution designating an Industrial Development District.

5. A company then applies for an "Industrial Facilities Exemption Certificate" during the planning stages of capital improvements.
6. The local government clerk receives the application and submits it for approval to the municipality, notifying all potentially affected taxing units.
7. Following local government approval, the application is sent for review by the Michigan State Tax Commission and the Michigan Department of Commerce.
8. Once issued, the "Industrial Facilities Exemption Certificate" entitles the company to a specific period of tax exemption, beginning with its effective date.

Commercial Redevelopment Districts Act--255 of 1978

(This is a summary statement for educational purposes. Before taking any formal community action, please refer to the complete offical act and use legal counsel. For more information contact: Michigan Department of Commerce.)

This program enables communities to provide tax incentives for real property improvements, mainly commercial buildings and their fixtures (as defined by section 14 (6) of Act No. 206 of the Public Acts of 1893), and not land or housing. Qualifying areas must be composed of predominantly obsolete commercial facilities, land cleared due to fire damage or urban renewal, or vacant land within the boundaries of a Downtown Development Authority.

Cities, villages, or townships may designate Commercial Redevelopment Districts. Hotels, department stores, and office complexes are among the businesses that may receive special property tax treatment under this legislation.

Once the community has established a Commercial Redevelopment District, companies located within it may apply for a "Commercial Facilities Exemption Certificate." With a valid certificate, companies pay a "commercial facilities tax" in lieu of regular property taxes. This alternative tax is calculated in one of two ways. First, new construction is assessed at 50 percent of current property value and taxed at 50 percent of regular millage for up to 12 years. Second, renovation projects pay taxes on assessments recorded prior to capital improvements--frozen for up to 12 years.

Intended to serve a short-term need for aid to depressed commercial facilities in urban areas, this legislation will expire on December 31, 1983 unless it is renewed by the legislature.

Procedures

1. The local government body, on its own initiative or at the request of commercial facility owners, by resolution notes intent to create a Commercial Redevelopment District--specifying a land area that meets qualifying criteria.

2. The municipal government conducts a hearing on the matter, following due public notice.
3. Finding that a local district meets qualifying criteria, the government body passes a resolution designating a Commercial Redevelopment District and sets its boundaries.
4. A company then applies for a "Commercial Facilities Exemption Certificate" during the planning stages of capital improvements.
5. The local government clerk receives the application and submits it for approval to the municipality, notifying all potentially affected taxing units.
6. The municipality conducts a hearing on the merits of each application, passing resolutions for approval or disapproval.
7. Copies of approved applications are filed with the Michigan Tax Commission, but "Commercial Facilities Exemption Certificates" are issued locally (by municipal authority).
8. Certificates entitle companies to a specific period of tax exemption, beginning December 31 of the year in which they are issued.

Job Development Authority Act--301 of 1975

(This is a summary statement for educational purposes. Before taking any formal community action, please refer to the complete official act and use legal counsel. For more information contact: Michigan Department of Commerce, Job Development Authority.)

A state government agency and a public corporation, the Job Development Authority may make direct loans and it may guarantee loans for up to 90 percent of the costs of an economic development project. Administratively, it is a section of the Michigan Department of Commerce, chaired by the commerce director.

The Job Development Authority can borrow funds and it can issue up to $200,000,000 in revenue bonds to finance its programs. The agency is empowered to aid any project that is consistent with the purposes of the act which created it--"to alleviate and prevent conditions of unemployment; to preserve existing jobs and create new jobs to meet the employment demand of population growth; to promote the development of present business enterprises and to meet the growing competition for business enterprises; to revitalize and diversify the Michigan economy in general and achieve the goals of economic growth and full employment."

Requests for assistance from the Job Development Authority must first be presented to and approved by a city, county, or township governing body. In certain circumstances the borrowing company must be prepared to pay the first 15 percent of project costs with nonborrowed funds. And the company or the community must produce a project plan, including location, plant and equipment specification, estimated costs, labor force requirements, and any other pertinent information required by the state agency.

Upon project completion, the aided business leases improved property from the Job Development Authority, but pays any and all taxes as though it were the owner. The legislation specifically provides that the company should be eligible for any tax exemptions made possible by community action under other economic development acts or programs.

Procedures

1. A company, with or without the assistance of a local economic development group, prepares a project plan for consideration by the municipality.
2. The local government body authorizes the plan by resolution.
3. The applicant company submits the locally approved plan to the Job Development Authority.
4. The authority conducts sufficient hearings and investigations to determine potential economic impact, including any adverse employment effects.

Utility and energy resources and requirements are critically examined.

5. The Job Development Authority may approve a direct loan or the guarantee of private lending.
6. "The authority shall give emphasis to projects which will have the effect of diversifying the state's economy."

Economic Development Administration (EDA) Business Development Assistance--P.W. & Economic Development Act, 1975

(This is a summary statement for educational purposes. Before taking any formal community action, please refer to the complete official act and use legal counsel. For more information contact: Economic Development Administration regional office, Lansing, Michigan.)

The Economic Development Administration accepts applications for assistance from a variety of businesses and state and local government bodies. It may provide loans or loan guarantees of up to 90 percent of total borrowed funds to qualifying projects.

Typically, the EDA involvement in economic development projects is less than 90 percent, however. Small financial commitments by state or local governments to the project often are required. Depending on the availability of EDA funds and the nature of the project, EDA may limit its loan involvement to less than 65 percent of land, construction, and equipment costs. Loans or guarantees to cover fixed asset costs or working capital costs are available to the following categories of borrowers, under appropriate qualifying circumstances:

1. A business enterprise, including sole proprietorship, partnership, or corporation,
2. A nonprofit organization or association,
3. A state or municipality,
4. Indian tribes, and
5. Private lending institutions.

The EDA requires prior state and municipal approval of project plans. It will not assist a business to relocate from one area to another, creating unemployment in its wake. The federal agency maintains a listing of "EDA redevelopment areas"--localities that it believes require economic development assistance to create jobs or improve income levels.

Procedures

1. The applying organization completes a project plan and submits it for approval at local and state government levels.
2. Approved project plans may be submitted with applications to the EDA.
3. The EDA investigates eligibility and determines the potential economic impact of the project.

4. The borrower and the EDA negotiate terms of loans or loan guarantees, secure state or local financial commitments, and identify sources of private venture capital.
5. EDA loans and guarantees are secured by collateral.

Small Business Administration (SBA) Local Development Company Loan Program

(This is a summary statement for educational purposes. Before taking any formal community action, please refer to the complete official act and use legal counsel. For more information contact: Small Business Administration regional office, Detroit, Michigan.)

Loans and loan guarantees are available from the SBA to specific small businesses, or to certain qualified local economic development corporations that will aid small business. The federal agency defines a small business as having fewer than 250 employees, or having net worth of less than $4 million and after-tax income of less than $400,000 for each of the previous two years.

Qualifications for SBA assistance to local development companies are: (1) It must be supported or chartered by the appropriate municipal government; (2) it must be incorporated within the state in which it operates; (3) at least 75 percent of ownership must be held by municipal residents; and (4) not more than 25 percent of ownership is held by a single individual or affiliated individuals with a financial interest in the proposed project or in the small business to be aided.

The SBA emphasizes loan guarantees, and limits its total cash involvement in any one project to $500,000. An SBA guaranteed loan must be secured by collateral, and generally, the local development company is expected to provide at least 20 percent of total project costs. The maximum time for loan repayment is 25 years following project completion. And like the EDA loan program, SBA aid may not be used to assist a business in relocating from one area to another.

Upon project completion, the local economic development company may lease the new or improved facility to the aided business, lease it with purchase option, or convey ownership to the business while retaining a lien against collateral. Also, the SBA may work directly with the small business, not involving the local development company as an intermediary.

Procedures

1. The small business prepares a current financial statement, and personal financial statements for major stockholders (20 percent ownership or more).
2. The small business lists collateral to be offered, estimating current market value, and it determines the amount of the loan it will seek, as well as the exact purposes for the borrowed funds--a project plan.

3. With or without the aid of the local economic development group, the small business must seek private lenders (bank or investment company) to provide funds.
4. After failing to secure commitments of private funding, the small business or the economic development company may contact the SBA directly at its nearest field office.
5. SBA representatives then examine the qualifications of applicants and negotiate terms of SBA financial involvement in the project, securing commitments of aid from state and local governments, and locating private loan funds to be guaranteed.

Farmers Home Administration (FmHA) Business and Industrial Loan Program, U.S. Department of Agriculture

(This is a summary statement for educational purposes. Before taking any formal community actions, please refer to the complete official act and use legal counsel.) For more information contact: the Farmers Home Administration through the U.S. Government number at your county seat or call East Lansing (517-372-1910, Ext. 280).

Tailored to rural communities, the Farmers Home Administration (FmHA) business and industrial loan program will guarantee 90 percent of the principal and interest for loans by local lenders to businesses and industry. Most banks, credit unions, and banking cooperatives are eligible to apply for FmHA guarantees on behalf of company clients.

Business purposes that qualify for FmHA assistance are: capital facilities purchases, construction and repair, land and equipment acquisition, start-up and working capital, and pollution control. Loan amounts can include the costs of feasibility studies, interest, fees and membership charges associated with the loan transaction.

Planned improvements must be in a community of less than 50,000 population. Priority is given to applicants located in "open country, rural communities, and towns of 25,000 or less."

Like other federal loan programs, the FmHA may not assist a business to relocate from one region to another. Loans must be secured by collateral, with the general requirement that the loan applicant must hold at least 10 percent equity in the company to benefit by the loan. A fee is charged for the FmHA guarantee--1 percent of the principal multiplied by the percentage of guarantee--up to 90 percent.

Repayment of loans for land, buildings, and permanent fixtures may extend up to 30 years; machinery and equipment 15 years; and working capital 7 years. Interest rates are at the discretion of the lender. They can be fixed or variable.

Procedures

1. Determine eligibility of the project and develop a project plan.
2. Obtain a list of local lenders eligible for FmHA guarantees from the county office, U.S. Department of Agriculture.
3. Contact a loan officer in one of these financial institutions and apply for an FmHA guaranteed business loan, providing financial statements and any other pertinent information requested.
4. Upon approval of the application by the local lender, this organization will apply for FmHA guarantee.

Michigan Single Business Tax Act-228 of 1975

(This is a summary statement for educational purposes. Before taking any formal community action, please refer to the complete official act and use legal counsel. For more information contact: Michigan Department of Treasury.)

While the Single Business Tax provides no direct financial help to a business or to a local economic development group, its features lend some clear advantages to certain businesses operating in this state, rather than in other states with different tax structures. A working knowledge of Single Business Tax features will be useful to community development groups actively seeking businesses from out-of-state.

The Single Business Tax Act repealed all local property taxes on inventory, and it consolidated a variety of former taxes levied only on businesses in certain categories into a single state tax levied "upon the privilege of doing business and not upon income." The base for the single business tax is 50 percent of gross receipts, with current rate of taxation at 2.35 percent of this base. Exclusions are offered within the law for certain types of businesses, and certain special business activities.

These exclusions include:

1. An immediate, 100 percent write-off of new capital investments against gross receipts, reducing the tax base by the full value of capital improvements;
2. Small businesses may qualify for specific dollar exemptions of up to $34,000;
3. Direct labor expenses in excess of 65 percent of the tax base may be deducted from gross receipts;
4. Publishers, research and development organizations, and other businesses that receive royalties on the sale of licensed products may deduct these payments from gross receipts; and
5. Special exemptions are provided for real estate companies, food retailers, security guard services, and transportation companies.

Most firms will calculate their tax base by adding compensation paid, depreciation, royalties paid and interest paid to their federal taxable income and subtracting interest received, royalties received, and investments made during the year.

While the Single Business Tax likely will be amended many times to adjust inequities and windfalls provided to certain kinds of businesses, the essential structure of the tax law probably will not change. As it currently stands, the tax law tends to favor large manufacturers, small retailers, and wholesalers. Professionals, large retailers, and some small manufacturers tend to pay more in taxes than under the former Michigan business tax system.

Conclusion

Each of the preceding legislative programs offers advantages and disadvantages to communities in specific circumstances. All require staff, commitment of local resources, and a company that will take advantage of the results.

Tax and financial incentive programs may be used singly or in some combination that reflects local priorities. For example, nothing would preclude a community from forming an Economic Development Corporation and a Downtown Development Authority. Either could issue bonds, secure loans, help create tax exemptions, and condemn and acquire land with the prior consent of the municipal government. However, only the DDA could levy a tax or utilize a tax increment financing plan. Only an Economic Development Corporation or the municipality, itself, could administer programs outside of "downtown" boundaries.

On balance, large amounts of funds can be mustered for individual projects through this collection of financial programs, but the quality of the ideas behind each project and its intrinsic value within the community will determine the actual dollar amount. And this will have a great influence on whether or not expected economic results are realized for the community as a whole.

Economic development is a group effort. See Chapter I of this handbook for a discussion of strategy and analysis--thoughts about maximum community involvement in reaching common goals.

CHAPTER III

LAND AND BUILDINGS

There are nearly 4000 new plant locations in U.S. communities annually. Most are small plants, but over 700 per year represent capital investments in excess of $1 million each. Competition for these new plants is keen. More than 15,000 domestic communities have economic development programs.

While the figures would suggest that businesses have a lot of opportunity to compare communities, relatively few location searches are made on a national scale. Smaller industrial corporations may require an entirely new plant site only once or twice in a generation. This intermittent experience in site selection does not justify an army of experts. Very often, company planners are relieved to find a competent economic development group--in an attractive community with a suitable piece of land--that will lead them through the necessary preparations to get a structure up, and get into business.

More commonly, since the mid-1950's, corporate search representatives might find several communities that already have suitable buildings in place. Some are speculatively constructed in an area zoned industrial or in an industrial park. A lease-purchase agreement often is offered as part of an incentive package. The arriving company need only finish off the interior of the building for its intended use, gaining time on future production requirements and beating inflation by utilizing a structure built at last year's construction costs.

The first contact that a community economic development group receives concerning a company's interest in locating there may come from any of several sources. A corporate executive with site selection responsibility might call requesting a packet of information on available land and buildings. The state economic development agency may inform the local group that it has a prospect, based on information that's been supplied. A private plant location consultant or an industrial real estate agent may call on behalf of a client. One of the local utilities or transportation companies could contact the community economic development group, indicating that it has had contact with a corporate search representative concerning services available in the community. In all cases, the local development group will be expected to supply detailed information on site characteristics, costs or lease terms, and zoning restrictions to a company executive or an intermediary.

Typically, other community factors--business climate, labor force skills or wages, expected distribution or supply costs--already have influenced the contact person or his client to consider a location there. Compatibility of the land or buildings with planned features of the new plant becomes a touchstone for head-to-head comparison with other available locations. At this point the local economic development group may get its foot in the door or get brushed off as noncompetitive.

Obviously, one important thing that a community can do to be prepared for this situation is to collect, catalog, and update information on local industrial real estate. It should regularly supply these data to the state economic development agency and any other organization likely to make a referral. Many experienced economic developers recommend that local group members actually visit every site. When an unexpected phone call comes, they'll be better able to describe conditions and features in a familiar fashion. This can help to inspire confidence very early in the game.

The community group should consider investments in land improvements, speculative construction, excellent maintenance of the site and any vacant building--all aimed at increasing the appeal of local offerings and demonstrating strength of commitment to economic growth.

There are two schools of thought among successful community developers concerning the effectiveness of speculative construction. One argues that the risk of putting up a partial building will pay for itself many times over because of its immediate sales value to businesses requiring fast start-up and its symbolic visibility in the community. The second school of community developers insists that the possibility of building a white elephant is real and that heavy investments in construction can work to shortchange other important parts of the total economic development effort. This group points out that the new building can be constructed in 90 days, to the specifications of the buyer so there is little reason to speculate. Both schools of thought function in Michigan and have the success records to defend their systems. Coldwater (see Appendix A) is a case for the "shell building school." Holland (see Appendix A) makes its case for no spec building. Both cities have fifteen-year records of excellent industrial development success.

The issue is most meaningful to communities without an inventory of suitable vacant buildings. Advantages and disadvantages of speculative construction will be discussed later in this chapter. There's no disagreement among the experts about the attraction value of land improvements or well-maintained vacant buildings. One expedites construction to follow and the other prevents deterioration of an important community resource.

Improving the Land

A piece of land is to an engineer or architect as a block of stone is to a sculptor. It has certain inherent qualities like location, elevation, grade, depth of the water table, susceptibility to flooding, soil-bearing capacity, and soil composition. These qualities make the land suitable for one purpose and problematic for another purpose.

The earth might need reshaping with a bulldozer or reinforcement in the subsoil to realize its potential as a good construction site. Even before work on a structure has begun, underground utility lines and sewer systems must go in. The cost of these improvements can vary widely, depending on the features of the land and the intended use.

On an economic level, this means a piece of land has both a current value and a potential value. The current value is what is already there--fixed and measurable. The potential value hinges on the skills of engineers and the costs of hiring heavy equipment crews needed to carry out improvements.

When an industrial prospect considers the cost of land, both of these value factors apply. A company planning executive may choose a site involving extensive improvements because of its prime location. On the other hand, a more remote site could get the nod due to anticipated savings on land or improvements.

The best of both worlds is possible when a community economic development group acquires choice industrial land at reasonable cost and makes needed improvements with maximum community participation. It can then offer a construction-ready site for an attractive price, intended to recover costs and perhaps earn a modest "profit" which can be returned to the development fund for future investment. In most instances land cost is a minor percentage of total investment required to establish a new manufacturing plant.

But in the budding relationship between a community and a prospect, land has an importance far beyond its cost. It is the basis for the first real commitment on both sides and will tell both parties much about the long-term potential for doing business together.

Selecting the Site

Transportation access is a number one priority among a majority of U.S. industries. An all-weather road to the site is a must. Proximity to major highways, air, water, or rail transport facilities vary in importance according to the nature of a company's product or service. Community officials should analyze the supply and distribution practices of target industries before selecting a piece of land for local improvement--with this information in mind. The acquisition and development of a commercially attractive site will expedite sales and community relations efforts. Choose well.

Features of an attractive plant site should include:

1. Suitable transportation access (see above).
2. Relatively level land, or rolling land that can be inexpensively filled and graded to accommodate plants, parking areas, and future expansion.
3. Soil-bearing capacity sufficient to carry a two-story steel or concrete structure on a steel-reinforced concrete slab, plus any heavy equipment associated with target industries.

4. Depth of soil that will allow placement of underground service lines and soil composition with adequate drainage characteristics for industrial use. Locations on rock or flood plains are seldom suitable for either commercial or industrial buildings.
5. Proximity to existing utility lines of sufficient capacity to support industrial use at peak projected levels. This means that costs for extending or enlarging capacities of electric, gas, water, and sewer lines should be incurred one time only, at minimal expense due to location near adaptable existing lines.
6. Ample total land area to permit expansions by initial locators and additional plant construction by compatible industries. When all other siting factors are met by a land area, industries tend to cluster there, sharing or exchanging services.
7. Zoning restrictions that will prevent residential encroachment in the industrial area, and that will minimize conflict between heavy industries which prefer few land-use restrictions and light industries or service companies which desire uniformly pleasant, landscaped surroundings.
8. Clear titles to land parcels, relatively free of encroaching easements.

9. Land available immediately at a firm price. When prospects learn they may have to negotiate price with a private owner or a group of owners, they often go elsewhere. Experience tells them that asking prices are likely to rise and holdouts can frustrate decisions.

Aid in evaluating alternative local sites can be obtained from the state economic development agency, private developers, site engineers or architects, and industrial real estate agents.

Select possible sites using aerial photographs or less expensive U.S. Geological Survey Topographical Maps of community areas. Identify owners of land near major roads and other desirable transportation facilities. Explore local government controls or possible public ownership resulting from past land acquisition.

Make preliminary selections based on location factors, and acreage availability. Then, narrow these choices down through tests of soil samples and estimates of fill and grading requirements. Consider doing more detailed surveys of prime alternatives.

Developing Parks or Areas

After a sufficiently large land area has been acquired and fixed as the focus of community development, a series of decisions about how to improve it must follow. The table below lists some advantages and disadvantages of two widely used improvement strategies.

	INDUSTRIAL AREA	INDUSTRIAL PARK
1.	Zoning excludes residential use, but poses minimum restrictions on new industrial users.	Zoning restrictions keyed to preferences of target industries, discouraging use by incompatible businesses.
2.	One or two improved sites with individual road links, plus utilities in place to support additional land development in the area.	Several improved sites joined by a network of access roads, plus storm drains, street lighting, parking lots and other amenities.
3.	No immediate central services, such as a rail spur, cooperative warehouse, or contract post office.	Staged development of central services often is part of the total site plan.
4.	Discrete site placements lend individual visibility to settling companies.	Contiguous site placements tend to bury individual company identities in the crowd.
5.	Site features promote diversity of industry type.	Site features encourage homogeneity of industries.
6.	Less competition among industries for skilled labor.	More competition among industries for skilled labor.

Because of their features, industrial areas tend to attract more large, heavy manufacturing companies and industrial parks more small, light manufacturing firms. Neither seems to offer better odds for the long-term success of a community economic development program. Branch plants of major companies account for more than half the dollar expenditures for new locations each year. Small industries account for the greatest number of new locations.

Industrial areas require less capital investment for land improvements, yet their individual sales payoffs are likely to be higher. Industrial parks involve more community financial risks, but tend to reap small sales payoffs quickly. Communities should choose one strategy or both, according to the characteristics of target industries.

Recycling Community Resources

Many cities have seen businesses come and go, leaving vacant buildings behind. Some of these structures can be made suitable for immediate reuse with little investment, while others may be hopelessly obsolete or dangerous. Even if a building, itself, is little more than a scrap heap, its location, the utility lines to it, existing transportation access facilities like roads and rail spurs, and surrounding parking lots may all represent reusable resources. Once the building is razed and the grounds fixed up, its former foundations may be redesignated as an improved construction site.

Short of demolition, there are hundreds of examples around the country of obsolete industrial or warehouse facilities that have been converted to perfectly adequate retail space, commercial offices, or even multi-family housing. When these adaptive renovation projects have been able to preserve unique or historic architecture, they've often generated much more sales activity than their contemporary counterparts. In other words, the old city mill might have one heck of a future as a restaurant. That marvellouslooking, but decaying warehouse at the corner of Main and Michigan might make it as a revamped shopping mall, or a lumberyard.

The most obvious local real estate resources are slightly worn industrial buildings that will support new industrial uses. A little landscaping, a paint job, and roof repairs may be all that is needed to attract an out-of-town buyer or lessee. A great danger these resources present to the community, however, is that they may be taken for granted until they have deteriorated into vandalized disaster areas. When a prospect comes to take a look, everyone will be surprised. Safeguard them. Maintain them, until a new use has been found.

Speculating on Construction

Noted earlier in this chapter, many community developers successfully employ land improvement and building reuse strategies to help meet development program goals, but would not consider going further than offering immediate design and construction services by local contractors as a sweetener to close the sale of an industrial park site. Another group of community developers will partially build an industrial plant even before they have a prospect on the line.

Because an industrial plant cannot be considered complete until its equipment is installed, and the type and weight of equipment will determine floor design and construction, these partial buildings usually are composed of roof, walls and utility hook-ups, and some window dressing. All this is erected over a dirt floor.

A few lighting fixtures inside allow it to be shown. Landscaping and a finished office area also may be done in advance of sale. Ready for viewing by prospects, they are commonly called shell-buildings.

While a sizable group of community economic developers who have never put up one of these shell-buildings probably never will, many more have considered it and then earmarked it as an appropriate future course of action. Since the early 1950's, when this strategy first was tried, it has become the hottest new trend in the field. Speculative construction certainly is a logical extension of a central tenet of economic development philosophy: nothing ventured, nothing gained.

Advantages of shell-buildings are sales value:

1. They permit immediate acquisition of an up-to-date facility.
2. Prospects can see what they will get.
3. Prices typically reflect last year's construction costs.
4. Fees for rezoning requests, researching local building codes, and site planning are reduced or eliminated.

5. Production can begin quickly, following equipment installation and interior finishing.

Disadvantages of shell-buildings are community risk:

1. Capital devoted to construction is not available for other community development functions.
2. While vacant, the building may require maintenance and interest payments.
3. A chronically vacant building can demoralize development group supporters.
4. Lease-purchase terms may persuade a company to move in quickly, but on an undisclosed, temporary basis.
5. Pressure to sell or lease quickly may lead the community group to ignore their target industry approach, accepting a 15-employee warehouse operation in place of a 100-employee manufacturer.

Those that favor a speculative construction strategy generally put the upper limit of shell-building size at 100,000 sq. ft. of floor space. A larger structure is considered too big a risk even in a major population center. Smaller towns should build smaller shell-buildings, the minimum practical industrial plant size being about 10,000 sq. ft.

A majority of the shell-building experts recommend all-steel construction on a single story. This structure should be designed to be expandable in two directions on the site. This can be accomplished in steel buildings with much less disruption than in cement ones. Steel curtain walls can be dismantled, columns and beams extended, and new and salvaged wall material hung to close it up again.

A finished office area will improve marketability, many shell-builders agree. This part of the building might be dressed up with wood or brick on the exterior, the entrance accented with pleasant landscaping.

Judging the Impact

With few exceptions, construction paid for by federal government dollars now must be preceded by an Environmental Impact Statement. All of the delays and political dramas caused by this relatively new requirement aside, its purpose is positive. The bright light of societal concern has exposed a wide variety of public exploitations that have helped to forward economic expansion at the expense of the quality of life. A question still being debated at every level of government is how to achieve a good balance between two important public concerns, the standard of living and the quality of living.

It is appropriate that this controversy should rage on for many years, while every community gets involved in its own way. The existence of an economic development group in a city permits much greater control over factors which affect both these concerns than is possible without one. When a local development group takes the initiative, acquiring land and making improvements, it can also strive to satisfy community interests about industrial locations, projected traffic volumes, air and water quality, and waste disposal, at the same time that it sets the stage for economic progress.

Fixing the Price

Any of the land and building ventures that a community might take on will involve capital costs. The end result will be an improved product to be sold attractively near these actual costs. The more volunteer services or reduced fee work that can be mustered in the community, the more alluring this final price tag can become. While price is just one of a host of factors that will influence a company to move into a town, it is always among the first bits of data that a potential prospect will jot down. That tends to give it a lot of psychological importance early in the corporate search process.

Land improvement costs, building maintenance expenses, or speculative construction need not be financed by the development group alone. Existing businesses that could expect to gain from the presence of a new plant--attorneys, contractors, banks, utilities, retailers, city and county governments--might be persuaded to contribute labor, materials, or risk capital to the venture. The location and zoning features of the land may be sufficiently attractive to convince an experienced private developer, site engineer, or architect to defer fees for planning and supervising the project in cooperation with an attorney and development group members.

Other financing strategies that can help to keep costs and price down were detailed in Chapter II of this handbook. Promoting and selling the finished goods and the community surrounding them is the subject of Chapter IV.

CHAPTER IV

PROMOTION AND SELLING

Imagine. You are an industrial prospect from another state, considering whether or not to locate in your town. Already, you have rejected twenty or more possible plant locations, narrowing the choice to three or four attractive alternatives.

All alternative locations have adequate services and facilites for the planned industrial plant. Each offers some advantages that the other locations do not have: housing, recreation, aesthetics, or education. All have their share of problems: zoning, building permits, local suppliers, or utilities. You begin to look for reasons to rule out one alternative, and then another.

Communication that has preceded this critical point in the selection process now has a strong bearing on what happens. Any doubts that have persisted through meetings with community representatives, tours of the towns and the proposed sites, and negotiations with local officials will take on greater significance. The city and its representatives that seem best organized and most likely to provide help in the future will get a little extra consideration. Intangible factors, the feelings accumulated in one place or another, cannot be completely ignored. The anticipated view from the plant manager's office window at one site may offset part of the cost of constructing a sewer line, even though this basic service would be provided without cost to the prospect elsewhere.

Selling Techniques

Among the qualities likely to separate the city of choice from other alternatives will be those of good salesmanship on the part of its representatives. In the context of economic development, they include the following:

1. Plan communication situations that will show the city and its resources in the best possible light, i.e.--do not schedule rush-hour tours; approach the proposed site and city landmarks from appealing directions, select compatible representatives, meet in attractive settings.
2. Provide ample information about the city's economic structure and business climate without overwhelming the prospect with redundant or inapplicable data and opinions.
3. Avoid surrounding the prospect with a noisy mob of representatives. Three to five hosts should be plenty.
4. Show a willingness to discuss and to view both the good side and the bad side of the picture. Explain problems when requested. Later, mention the extent

of positive impact one new plant location is expected to have on the town.

5. Draw out the prospect and get him to talk about what he likes and dislikes, what he needs or wants. Most sales in any field are made when the potential customer is doing most of the talking--not when the salesman is.
6. Make an effort to compare and contrast city advantages and disadvantages with those of real alternatives, demonstrating knowledge of the prospect's business concerns and the city's competitive position.
7. Contribute a spirit of patience, congeniality, confidence, and most important, sincerity to all encounters.
8. Follow up by telephone or letter. Offer additional information. Indicate an eagerness to match the competition, whenever possible.

If your city economic development program does all of the above and does it well, you cannot fail to seal a deal, occasionally. How often you succeed will reflect the effectiveness of the total development effort, the fit between local resources and target industries selected, and the strength of competition from other cities with similar resources.

This is the real world. Every community development program of comparable size and scope may set its hopes on the same group of clean, quiet manufacturers with sound growth potential. There never seem to be enough of these ideal enterprises to go around. So, consider many target industries. Do not stake too much on one group.

Locating Target Companies

Finding realistic targets and getting their attention probably is the most time-consuming and difficult component of any new economic development program. Successful strategies employed to locate potential prospects tend to be 10 percent inspiration and 90 percent hard work.

Almost anyone in town might stumble on a national magazine article which discusses the growing pains of an out-of-state company. Local wholesalers, utility company executives, bankers, and real estate agents are more likely to get this kind of information by word-of-mouth. If you have opened communication lines throughout the community, tips of this sort will flow in. When they do, react cautiously but react somehow. Consider how many competing communities may have already tried to get the company president on the phone.

A more meticulous approach to locating targets is a project to identify cities with similar resources, followed by research to determine the kinds of businesses that have moved in recently and their industry growth patterns. This can be a regional data-sweep or it can be confined to the state.

An industry directory is published for nearly every state, indexed by city, by company, and by product. The federal government's Bureau of Labor Statistics publishes data on the growth trends of industries by category. These reference materials will aid in locating similar cities and in evaluating the expansion potential of industries that have broken ground there.

Next, Fortune's annual "500 largest companies" issue and Poor's Register of Corporations, Directors, and Executives will lead to identification of a range of companies and their executives within specific industries. Well-placed letters or phone calls, then, can uncover names and locations of trade associations serving each industry.

Trade associations sometimes offer a wealth of information. Usually they can be counted on to supply complete directories of their membership, booklets of detailed industry data, and lists of trade publications which focus on the special concerns of their industry. Careful scrutiny of these publications will provide tips on companies with quickly rising growth curves and immediate needs for new plant locations. Also, they will provide insights about pervasive needs for industrywide replacement of obsolescent facilities with modern ones, a second source of likely targets.

Getting Their Attention

Carefully selected publications can be an effective medium for advertising, if your community has a budget. Most cities cannot afford this. One-shot advertisements seldom achieve any useful response. Year-long saturation campaigns, with proven effectiveness, would run into the many thousands of dollars. Best bets tend to be the "development"-related publications aimed directly at plant location specialists. This audience is looking for location information; rates are low because circulation is limited. You can afford to repeat or "campaign a theme" even with a limited budget. And you should surely develop a theme because the competition among generalizations is fierce.

Armed with trade association reference materials, city economic development officials can put together a working list of target companies and their key executives. This item will become invaluable for use in less expensive, direct mail campaigns and for immediate personal contacts through letters and phone calls.

Hot prospects deserve fast, individual attention. If the tip is fresh, always try a phone call first--to the company vice president for planning, for facilities, or the president himself. Know what you intend to say beforehand and stick to it. Follow up with a letter and enclosed printed material. Phone again later. Keep following up if you find any encouragement at all. Gauge your effort to the interest of the prospect.

AVERAGE COST-PER-THOUSAND (IN MEASURED AUDIENCE) ADVERTISING RATES OF THE VARIOUS U.S. MEDIA, 1965 AND 1975*

	1965	1975	1979 (estimated)
Per page:			
Daily newspapers	$5.17	$9.26	$12.00
Sunday newspapers	3.76	7.02	10.00
Consumer magazines (B&W)	4.05	4.85	7.00
Consumer magazines (color)	5.62	6.62	8.00
Per minute:			
Radio (network)	1.18	1.14	1.10
Radio (local spot)	1.51	1.88	2.20
Television (network primetime)	3.93	4.81	7.00
Television (network daytime)	1.45	2.24	3.00

*The average cost of a full-page of advertising space in a medium-sized local newspaper (with 100,000 copies circulation) was $517 in 1965, $926 in 1975, and $1,200 in 1979. Typical cost of a black and white, one-page advertisement in a consumer magazine (with 1,000,000 copies circulation) was $4,050 in 1965, $4,850 in 1975, and $7,000 in 1979. For comparison, current costs to print 1,000 brochures in a single color are approximately $250 or 10,000 copies for about $1000. To mail these items using a third class, nonprofit bulk mailing permit will average between two cents and three cents each, adding about $25 to the smaller mailing quantity and $250 to the larger figure.

Source: Sterling, Christopher T. and Haight, Timothy R., The Mass Media (New York: Aspen Institute Guide to Communication Industry Trends, Aspen Institute for Humanistic Studies and Prager Publishers, Inc., 1978) p. 132. 1979 estimates including inflation are made by the authors.

If you cannot get through by phone or you suspect your information source is third-hand, start with a letter and enclosed printed material. Then try phoning a week later. Offer to send additional information or to deliver the material if practical. Follow up again. Stay with it on some basis. These decisions can take a long, long time. One of Michigan's finest new plants had a gestation period of twelve years--and it is worth every letter and call--a thousandfold.

Periodic mailings to target company executives will create an awareness of your town and its economic resources, over time. This persistence may pay off when any one of these companies outgrows its base of operations or needs to shed it like an old overcoat. The same principle of exposure applies to direct mailings as it does to media advertising; one mailing represents a voice in the crowd. Repetition eventually drives the message home. It creates an enduring image. Plan and work for the long pull. The expectation of sudden miracle success leads to frustration and disappointment for the whole community. It is unrealistic. Face it.

Developing Promotional Materials

The quality of printed materials--writing style, design, use of color and photographs--will say as much about your community economic development program as the actual information content does. They will read smooth and bouncy, or jerky and flat. Their appearance will seem carefully balanced or carelessly scattered. The overall feeling they project can range from insipid to garish.

Aim for safe middle ground at first, or contract for professional writing and design services to help produce key mailing materials. Strive for simple written matter with a clear pattern of organization. Avoid cliches and cute ideas. Rely on facts, instead.

Start with black ink on white paper. Use excellent photographs, or type alone. Stress clarity in design, but avoid screamingly large headlines. Always consider the end use of the printed piece when determining its finished size, i.e.--will it fit in an envelope? Can it be filed for future reference?

Among the materials that an economic development program should consider having on-hand for unsolicited mailings and to satisfy requests for information are the following.

1. A series of flyers (single sheets), or brochures (folded accordion fashion), developed for periodic mailings to target company executives and then kept on the shelf to answer specific information requests. About six in all, each should focus on a positive theme of the community, its resources, and its business climate. They can be updated and redesigned to reflect improvements. Subjects might include a community market analysis, a survey of sites, a summary of labor force characteristics, notes on education and research and cultural facilities, or a collection of testimonials from successful, existing business chiefs.
2. A loose-leaf or plastic-bound booklet containing summary information about the community economic structure, its government system, taxes and services,

transportation access, characteristics of sites, population and housing trends, educational facilities, and nearby cultural and aesthetic offerings. Use a telegraphic writing style to project essential data in each category, highlighting key positive facts like low absenteeism in the labor force or tax advantages offered to new businesses. A collection of charts and graphs often will provide more usable information than extensive written analysis. The format of the booklet should accommodate continuous updating. Do not forget to present your community in its regional context. That is the way the prospect views it. Include reference to regional institutions in education, government, entertainment, and transportation which the prospect might utilize.

3. A collection of detailed reports and studies to supplement each section of the summary booklet described above. Let requests for information stimulate additional research and reporting to broaden the selection of materials offered here.
4. A general brochure that will satisfy some information requests by itself. Its contents might include all the highlighted facts from the summary booklet. Instead, it might be primarily maps of sites and transportation access. Its size should allow it to be stuffed in the same envelope with any other piece of the direct mailing package.

Tear-off postcards for requesting additional information can be a part of any, or all, of the materials described. To reduce unnecessary postage costs along with any annoyance that unwanted mailings might cause, the postcards can include a box to check: "Please remove my name from your mailing list."

Commercial bulk-mailing equipment, or clerical staff, can apply one address label to the inner face of a tear-off postcard and a duplicate label to the outside mailing panel--the recipient does not have to lift a finger to write his name and address on the reply card. It does help to increase responses from interested businessmen.

Judging Media Opportunities

In addition to advertising, direct mail campaigns, and personal contacts, a fourth means of getting a target company's attention is through public relations. One facet of this activity is media relations, the practice of issuing news releases to major publications on a regular basis, expecting that they will use some of the information as a news article, or will send a reporter to your community to research and write one. Remember that most "news" is made up of problems or solutions--not bragging. Think of the readers' interest and the writer's interest and you may score.

Some of the calls to newspaper and magazine editorial departments come from eccentric inventors who claim to have revolutionized a fundamental bit of technology--the wheel or the concrete block. A reporter who takes the call routinely asks, "And how many have you sold so far?" Invariably, the inventor answers, "None," or he may bluff, "Company 'X' is studying it."

While success in the marketplace has definite news value in this country, an unmarketed idea usually does not. Chances are, somebody else thought of it fifty years ago and its commercial prospects were just as unlikely then as now. "Call again when company 'X' buys it," the reporter suggests.

Communities attempting to sell their undeveloped assets through media relations will meet the same sort of skepticism from the press that the eccentric inventor does. Unless the town already has had some success in the marketplace, a barrage of news releases about wonderful business conditions there will not be an effective promotional tool.

An unusual promotional event might make the papers, due to its human interest value. The first sale of space in an industrial park will have news value too. But these stories probably will command only a paragraph or two in a metropolitan daily newspaper until a convincing pattern of growth activity has been established. The news media report significant or unusual change, after it has happened. Media relations can add a lot to the effectiveness of other promotional programs.

Beginning at Home

The reflected focus of all public relations activity is community relations. This is a concerted effort to make the presence of the economic development group known and appreciated in your town through projects intended to aid other community groups and existing businesses. Help can take the form of direct financial grants or it can be educational and political in nature.

Your community's economic development organization might offer seed money to neighborhood or retail business coalitions that hope to improve some part of the community business climate. Alternatively, it might offer aid in applying for government grants or loans needed to get these fledgling groups going.

Existing economic base businesses might respond to economic development group efforts to get improved city services or to change zoning ordinances to allow plant expansions. If a legislative committee begins to explore transportation issues or business tax policies in a series of hearings, make certain that your community's needs and concerns are presented before it.

If community relations activity becomes a continuous effort, the result can be a direct payoff to other components of the economic development program. When a new prospect arrives for a look around town, for example, the businessmen there will tell him that your group does not stop with the sale of a piece of land or a building, it tries to achieve continuing improvements for the companies that have settled there. As more new businesses arrive to echo this sentiment, the job of selling can become more of a reactive process, through referral, and less of an exhaustive search for a few realistic target companies.

Developing and Handling the Prospect

The most important term in the lexicon of the industrial developer is a simple one--the prospect. In most community or area development efforts, the prospect is the objective toward which the developer orients the greater part of his activity. The well-rounded development program includes careful planning, meticulous organization, painstaking assembly of facts, judicious selection of sites, adequate provision of financing--and many other things. But the effort can be largely wasted without the final step of finding prospects and persuading them to locate in the community.

Selling your community, or the area you are developing, is not unlike the selling process for any other product. You must find leads, follow up on them, and finally close the deal.

Industrial prospect leads come from many sources. You may have to work on a hundred leads before you find a real prospect. You may have to follow up on many prospects before you find one interested enough to look at your community. And you may have to go down to the wire with several of these before a new industry crowns your efforts with the success of a new plant location.

The most obvious place to start looking for leads is right at home. The best possibilities for development in any community with even a modest amount of industrial activity are the companies already operating there. These concerns undoubtedly have good reason for being there in the first place, and if they have been successful they may want to expand. The effective developer will take care to have a good relationship with local industries, to be sure their needs are met.

This attention to existing local industry is important for a number of reasons. Not only is there the possibility that the local plant may want to expand, but company officials may know of customers, suppliers, or business associates who might be other leads. Moreover, among the first people an outside prospect will want to talk to will be the management officials of local companies, to find out what the community's attitude toward business really is and how much cooperation a new industry can expect.

It goes without saying that the developer's life is easier if the citizens of his community understand that industrial development, to be effective, must be the work of the whole community. The developer and his associates play leading roles, but the supporting cast of citizens is of great importance. One way in which they can contribute is by being alert for leads and reporting them to the development organization. To do this they must know what to look for and whom to report to.

Many businesses in the community, aside from local industries, are good sources of prospect leads. Banks are just one example. Others include wholesale distributors, contractors, insurance agents, even retail stores. People in such businesses often have contacts with manufacturers or people who visit manufacturers regularly; they may be the source of an early report about a potential expansion or relocation. Nor should the developer overlook local government officials or labor leaders who might pick up information about prospects.

In addition to local sources of prospect information, the developer should look to a number of outside channels of communication. To begin with, there are business newspapers and magazines like the Wall Street Journal and Business Week, trade papers, and the financial pages of nearby metropolitan newspapers. The Michigan Office of Economic Development, multi-state and multi-county development organizations, and the development departments of utility companies and railroads are other obvious sources. However, they will seldom be able to identify prospects by name, since this information is usually given such organizations in confidence. Business consultants and consulting engineers may also provide leads, but again they will seldom disclose the client's identity. Faculty members of universities and colleges often have contacts with industries that may be expanding, and the developer may do well to cultivate some of these people.

All of these suggestions simply illustrate the point that there are innumerable sources of prospect leads. There are several papers and books on the subject.

No matter how a local development organization gets its leads, there is still much to be done from that point on. First is the business of checking out the leads. The developer will have to use good judgment about how much time to spend on different leads and in what way to handle them. In some instances the obvious course is to write to the potential prospect with information about the community and an offer to provide more detailed data. A promising lead may justify some research in directories, trade journals, and library reference books; in some instances a Dun and Bradstreet report will be advisable if the company is not well known. If the lead is especially "hot," a telephone call or even a personal visit might be in order.

The local developer may wish to get in touch with one of the professional development agencies, such as a railroad or utility or the Economic Development department; they may already be working on the prospect, but in any case they will try to support the community with the best representation possible. Such agencies will make every effort to handle the matter objectively, without jeopardizing the interests of the development or your community. However, if the prospect has a fundamental problem with a given community, other alternative locations will certainly be suggested rather than lose the prospect.

The first contact with a company on which you have a lead may establish quite clearly that there is no use spending further time on it. On the other hand, the initial contact may show that the company is not ripe as a prospect just yet, but is worth following up at a later date. With these leads the most important thing is to have an effective tickler file so that the lead will not drop out of sight but will get attention at the proper time. Months and sometimes years may go by before a lead turns into a prospect, but it is worthwhile to keep in touch as long as there is a spark of life. A personal visit by a representative of the community at some time during this dormant period may do wonders to keep the company interested in your community. Occasional letters with information on some point you know to be of interest to the company may also help.

When a lead becomes an actual prospect, the intensive work begins. The ultimate objective is to persuade the company to locate in your community. But the immediate object is to get the prospect, the company official actually making the location search, to visit your community. To achieve this limited objective, the developer must provide the official with the information needed on critical location factors and in most cases show him graphically the kind of site he can expect to find, the kind of people he will meet, and the sort of treatment he will receive.

Let us assume the effort is successful. The day is at hand for which the developer has been waiting, the day when the prospect comes to the community to decide whether this or some other location is best for his new facility.

At the risk of belaboring many points for those who have been through this process many times, we will start from the beginning and try to cover all the things that ought to be done in handling the prospect when he visits the community.

First of all, one basic suggestion: Do not trust your memory to be sure everything is taken care of. Once the preparations start for the prospect's visit, things can happen so fast that you may overlook an important detail. So the recommendation is that you make a checklist.

What will be on this list? First of all you should list the things you want to know about the prospect. We all appreciate that plant location searches frequently are conducted in such secrecy that little can be disclosed about the prospect in advance of his actual visit, if then. But it is well to know as much about the company as you possibly can and particularly as much about his requirements as you can. If the information is available in advance, so much the better; but it is well to have the questions you would like answered written down anyway, so that you can develop at least some of the answers as you go along.

Also on the list will be the things you plan to do in advance of the prospect's visit to be prepared when he arrives in town. Naturally you cannot anticipate everything, but the less left to chance the better. You should add to your list some of the things you will do during the prospect's visit and afterward, to follow up.

Following is a standard checklist which has been used successfully for several years. You may wish to add your own refinements or perhaps delete a few points.

Prospect Visit Checklist

1. Information about the prospect
    a. Name of company
    b. Address
    c. Telephone number
    d. Names of principal officers
    e. Name of contact for current location project
    f. Type of company
    g. How many plants? Where are they located?
    h. How many employees? What unions represent them?
    i. What is company's credit standing? Do you have a recent annual report, balance sheet, financial statement, and D&B report?
2. Specific requirements for this plant location
    a. What product is to be manufactured?
    b. What operations are involved? How many days per week, hours per day?

c. What are the labor requirements?
    1) How many employees?
    2) Interested in recruiting assistance?
    3) What skills? Training programs needed?
    4) What wage rates are anticipated?

d. What are facility requirements?
    1) Floor space
    2) Number of stories
    3) Ceiling heights
    4) Construction
    5) Floor load
    6) Bay size
    7) Loading docks
    8) Special requirements: e.g., cranes, boilers, lighting, sprinklers
    9) Existing building desired? Buy or lease?

e. Site requirements
    1) Acreage
    2) Special topographical features

f. Transportation
    1) Rail siding required? How many cars per week? In and out? Origin of incoming. Destination of rail shipments. Commodity classifications.
    2) Common carrier trucks required? Will own trucks be used?
        a) Destination of truck shipments? Frost-free roads required?

    3) Air service needed for passengers? For freight?

- g. Utilities
    - 1) Water
        - a) Volume in GPM
        - b) Special quality requirements
        - c) Special pressure requirements for fire protection, etc.
    - 2) Sewerage
        - a) Public sewer required? Size of main?
        - b) Types of effluent? How much and what kind?
    - 3) Gas
        - a) Volume required
        - b) Can interruptible service be used?
    - 4) Power
        - a) Type of service required
        - b) Any welding, electric furnace, or similar, difficult loads?
        - c) Demand in KVA; energy requirements in kwh per month; power factor
- h. Financing
    - 1) Revenue Bonds? EDA? Qualify for SBA 502 loan? Any other special requirements?

3. Preparations for prospect's visit

- a. Prospect representatives
    - 1) Who will represent prospect? Names, titles.

        2) Any spouses along? Arrangements made for local hosts to show amenities?
        3) How long do they plan to stay?
            a) Lodging arrangements made for overnight visits
            b) Meal arrangements
            c) Entertainment, if appropriate
    b. Community representatives
        1) Spokesman agreed on
        2) Resource people
            a) City government
            b) Labor
            c) Sites
            d) Utilities
            e) Transportation
            f) Amenities
            g) Special requirements
    c. Materials needed
        1) List of people expected
        2) Maps: U.S. highway and railroad; state, county, city (show sites).
        3) Photos and floor plans of available buildings
        4) Air photos and drawings of sites with exact dimensions, showing location of water, sewer, rail, power, and gas facilities and road access
        5) Price information on sites
        6) Property tax information on all sites

    7) Labor survey data with availability and rates
    8) Water, sewer, power, gas rate data
    9) Zoning regulations and plans
    10) Up-to-date community survey
- d. Specific plan for visit
    - 1) Meeting the prospect
        - a) Persons in each car, if more than one
        - b) Maps in each car showing route being followed
    - 2) Discussion of requirements
        - a) Place arrangements made, with necessary tables, chairs, and material on hand
    - 3) Community tour
        - a) Persons in each car
        - b) Maps in car showing route
        - c) Dry run to establish route and timing
    - 4) Inspection of building and sites
        - a) Arrange for access to buildings
        - b) Arrange for person familiar with each site and building to be on hand
        - c) Arrange for view of site from air--in case prospect is interested, and weather permits
    - 5) Private discussions between prospect and local manufacturers and others
        - a) Alert those who may be visited
        - b) Make tentative time and place arrangements

4. The visit itself
    a. Meet the prospect
        1) Determine final schedule to meet prospect's wishes
        2) Inform prospect of community's plans for the visit
        3) Provide prospect with list identifying people he will meet
    b. Discussion of requirements
        1) Keep community discussion under control, with one man as principal spokesman; refer to others for specific answers
        2) Keep answers factual
        3) Avoid disparaging other communities
        4) Avoid concealment of unfavorable facts
        5) Be prepared to give specific answers on site costs, financing arrangements, etc.
        6) Offer private discussions with employers and air inspection of sites
    c. Community tour
        1) If prospect is reluctant, don't insist on tour
        2) Include all representative parts of community on tour, good and bad
        3) If prospect wants to know about housing costs, be sure to have knowledgeable guide with him
    c. Inspection of buildings and sites

    1) Avoid wasting time on places you want to sell but prospect is not buying
    2) Do not guess about boundaries of sites; have specific answers
    3) Have building plot plans and site drawings with you
    4) If aerial inspection is used, have aerial photographs of city and site and someone aboard who can orient site locations

d. Private discussions with manufacturers and others
    1) Let prospect decide whom he wants to see
    2) Let prospect decide whether he wants you present
    3) Private discussion between prospect and tax assessor may be desirable

e. Final meeting with prospect
    1) Reserve "hospitality" until end of business
    2) Do not try to kidnap the prospect

f. Follow-up:
    1) Send additional information requested, direct or through third party
    2) Arrange for subsequent visit if prospect desires

g. Final action
    1) Solve the "little" post-selection problems
    2) Arrange community welcome for new company
    3) Take your bows, but modestly pass the credit along to those "who really did the work"

The first section of the checklist concerns basic information about the prospect--name, address, key personnel, plants, employees, credit rating. These may have a bearing on how far you will want to go in financing help, for instance. It may have an effect on how much of an all-out effort you make to land the company.

Knowing the specific requirements for the plant location under study obviously is important in doing a good job for the prospect. Most of the points on the checklist explain themselves, but a few comments may help.

In recruiting and training, for instance, you can get a lot of help from the Michigan Employment Security Commission. Under the federal manpower training program a good deal of help is available to both employers and trainees.

Under site requirements, the list mentions "special topographical features." Some prospects want streams on or adjacent to their sites. One prospect wanted a site with a gentle slope so that he could let gravity help in moving logs from their storage area to the plant itself.

Water can sometimes be a difficult requirement. One television tube manufacturer placed extremely stiff requirements on water quality. For another company, the water temperature was an important consideration. A third company required a high volume of ground water available on the site.

Water disposal can lead to problems because of volume, temperature, and pollutants. The earlier you can anticipate such problems, the easier time you will have solving them--if you can get the company to let you know all the facts so that you can pass them along to the water resource people or others who understand them.

It is the same with gas and especially with power requirements. If the prospect wants power rates, you should put him in direct contact with the power company's rate engineers; but if he wants the answers from you, the questions listed at least make it possible for you to put the question intelligently to the power company.

When it comes to financing, there are many potential questions; but if you can find out in advance what the prospect has in mind, you may be able to have the right man on hand to ask the right questions and provide a few answers when the prospect comes to town.

Welcoming the Prospect

Now we come down to the job of getting ready for the prospect's visit. You should find out as early as you can who will be representing the prospect. This may have a direct bearing on how you will set up the community's representation. You will want to have people on hand who can talk the language of the prospect's representatives. Sometimes, of course, it is the boss himself. It could be a plant manager, division manager, or a corporate specialist in new facilities planning.

Spouses can often play a key role in the final selection of a community, especially after the choices have been narrowed down to two or three satisfactory alternatives. They will be especially interested in schools, hospital, residential areas, shopping, recreation opportunities, and the appearance and amenities of the community. They will help to evaluate the choices from the viewpoint of key executives and their families who may be moving in with the new operation.

If the prospect plans to stay overnight, by all means make reservations at a place you can be proud of. Most prospects expect to pay for their own lodging and may even resent having others pay for them. On the other hand, unless the prospect objects, it is customary for the community organization to pick up the check for lunch or dinner.

Prospects usually do not expect to be entertained and in most cases would prefer to be left alone after dinner. But it may be well to plan something which can be done in the way of entertainment, in case they indicate a preference in that direction. Particularly if spouses are along, it is good to have a place in mind where they can enjoy a pleasant evening of conviviality with a local host and hostess--but only if the prospect seems to want this kind of treatment.

The typical prospect visit includes three main elements: 1) a discussion of company requirements and what the community has to offer, 2) a brief tour of the community, and 3) an inspection of sites or available buildings. Some visits are so short that there is not time for all of these;

the community tour is then sometimes omitted, or included cursorily on the way to a site inspection. In many instances, however, the prospect will allow enough time for these activities and in addition will want to talk with several manufacturers in town privately. Sometimes the prospect's party will divide the work. One or more of the company representatives might meet with the local committee and visit sites while another man visits local employers to get a firsthand impression of the community's labor atmosphere.

The makeup of the local committee requires careful handling. It may depend to some extent on the type of people representing the prospect. The basic consideration here is to have people who can answer questions and supply convincing and accurate information to the prospect. The checklist indicates some of the areas which the committee must cover. At the same time it is important to keep the group as small as possible. The developer should make this clear to those he works with and avoid having to invite unnecessary people just for the honor of sitting in. Every member of the group should be there for a specific purpose. If one man can handle several subjects, fewer people will have to be present.

Whatever the size of the group, it is essential that one man be the chief spokesman. He should be selected beforehand and should take the lead in handling questions, answering those he can, and bouncing the others to another member of the group.

The discussion will be more productive and move along much more smoothly if you have needed materials on hand. Among the most important are good maps, particularly city maps with sites clearly marked. The city manager or the city engineer can embellish city planning maps to show the location of sites along with the railroad and utility lines serving them. Aerial photos and drawings of buildings and sites which the prospect can take with him also help. The item on the checklist "price information on sites" appears here to remind you that this is one bit of information you must have in hand before the meeting starts. Too often developers wait until the prospect shows some interest in a site before getting the price nailed down. To avoid uncertainty and sudden price rises, it is essential to have an option in advance.

"All sites" is the key word in the item about having property tax information. It often happens that a particular site will lie just outside the boundary of the city's main school district, so that different rates apply; or it may be in a township with rates and assessment practices completely different from those which apply in sites within the city.

Every community concerned with industrial development should have an industrial survey and keep it up to date. Many of the items the checklist mentions separately will be a part of the survey and having a prospect coming is a good reason for updating all the information.

With people and material for the meeting all arranged, we now get down to specific plans for the visit. Many times the prospect's party will come in by air; you should decide in advance who will be at the airport to meet them and who will ride in each car. Maps should be prepared for each car to show the prospect where he is going.

A suitable place should be ready for the discussion of company requirements and community advantages. It should not be necessary to go looking for chairs or gathering materials at the last minute. All the things needed for the meeting should be on hand, ready for use. It is usually advisable to have a dry run anticipating the questions which may arise and deciding on the answers as well as reviewing individual assigments and reference materials.

Advance planning for the community tour will include deciding who rides in which car, and having maps available in the cars. It pays off to prepare meticulously for this phase of the visit, even to the extent of rehearsing the trip and deciding the exact route and approximate timing. One Michigan developer carefully followed most of the prospect-handling principles outlined here, but when his group arrived at the industrial building to be sold, he found to his dismay that it had burned to the ground. A dry run can be used to check for such things as street condition, snow, ice, mud, traffic, train crossings, road repair, picketing, and anything else that might distract the prospect.

Advance arrangements for the site and building inspections will involve preliminary judgments on which places the prospects will want to see, even though some may be eliminated during the actual visit. Be sure to have someone ready to show your inspection party through the buildings to be seen, preferably a person with some authority to discuss prices and occupancy dates. Likewise, at vacant sites make advance arrangements to have someone present who knows the boundaries, has some familiarity with soil conditions, and can talk price.

One good way to inspect a site is from the air. For an important prospect it is well worthwhile to offer to take him up in a small plane, provided the weather is suitable. Even before you have the prospect's decision on whether or not he wants to fly, you should line up the plane and pilot, decide who will make the flight, have maps and photos available, and, if possible, arrange to mark the sites on the ground so that they can be identified easily from the air.

One final advance preparation is to alert local manufacturers that a prospect is visiting the community and may want to talk privately with local employers, personnel managers, or others. You should make tentative arrangements of time and place to avoid delays.

If you have made all these advance preparations, the visit itself should be easy. When you meet the prospect, decide on a final schedule and give the company representatives lists of people they will meet and an indication of your plans for the visit.

When the discussion takes place, keep it under control, with one spokesman in charge. The checklist mentions a few suggestions, most of which are obvious but should not be forgotten. Early in the discussion you will want to offer to arrange private discussions with local employers and also suggest the aerial site inspection, to leave as much time as possible for firming up plans.

The prospect may not want to take the time for a community tour. Do not insist; merely work in a little of it on the way to inspect the sites. Here it is important that the guide assigned to each car know the answers to questions which the prospect may have, such as the cost of housing in various parts of the city.

We have already covered most of the things which should be said about the site and building inspections. If the preparations are complete, all you have to do is keep answers as specific as possible and hope the prospect finds what he needs. But, of course, you won't insist that he look at buildings or sites that he considers unsuitable.

We will leave the rest of the checklist for your homework. Just remember to save your hospitality until the business is taken care of and do not try to kidnap your prospect; he may have other towns he wants to see, and it will not help your cause to delay him beyond the time he wants to stay.

Afterwards, follow up like a good salesman or developer, and work toward the day when you can introduce the prospect as a new employer in your community.

APPENDIX A

CASE STUDIES

STURGIS CASE STUDY

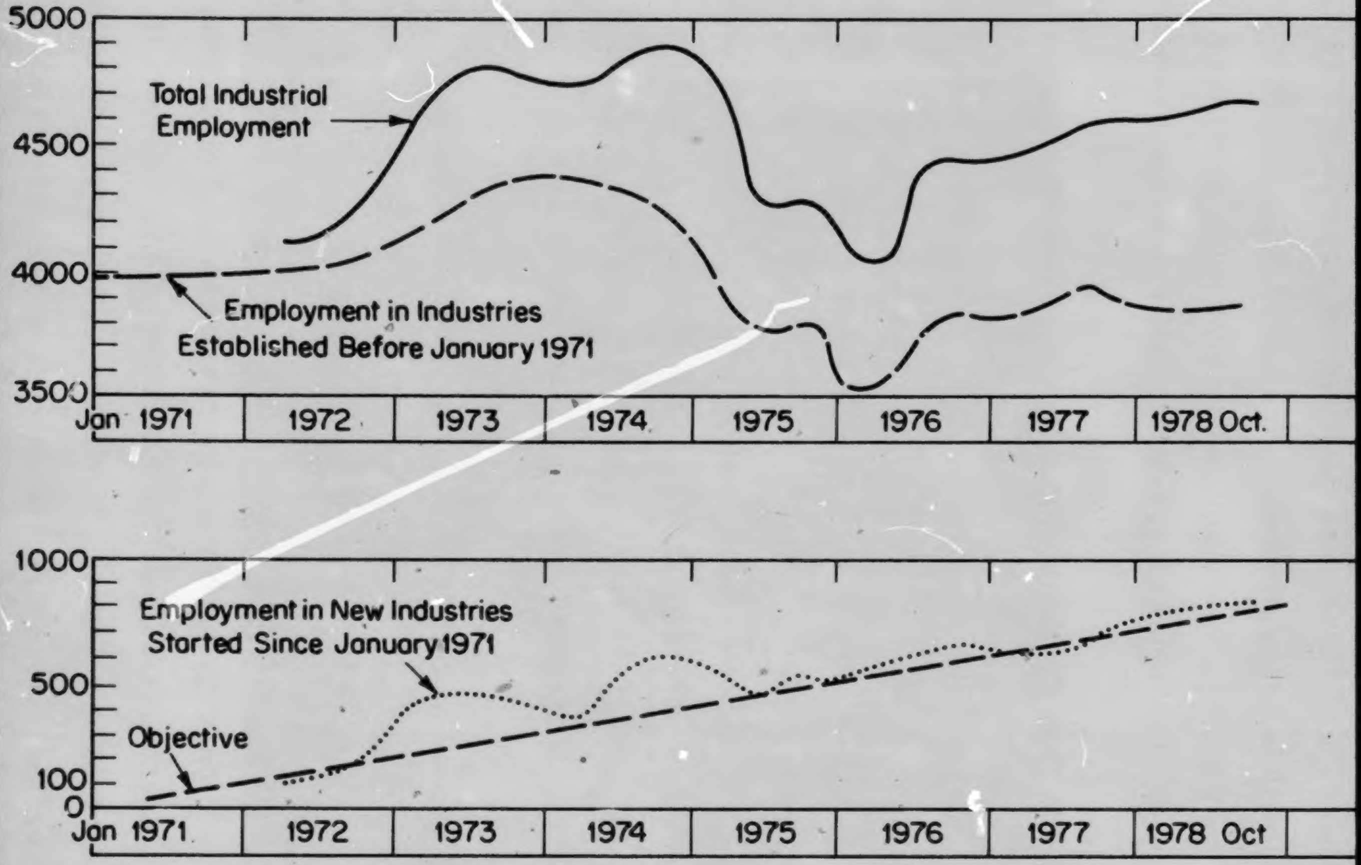
Industrial Background

In the two-year period 1969-1970 several companies in Sturgis, Michigan either closed or moved, resulting in the loss of 785 jobs in a total industrial employment of about 4,750. The largest employer among those lost, a toy manufacturer, accounted for the loss of 350 jobs. The city also lost a paper company--100 jobs--and a recreational vehicle manufacturer. Sturgis, whose population in 1970 was 9,295, historically has had a strong economic base and its industries have long enjoyed vigorous community support. Although the events of 1969-1970 were not disastrous to the city's economic well-being, the loss of one-sixth of the city's industrial jobs was nevertheless disturbing to Sturgis' community and industrial leaders. No new industries had come into Sturgis during those two years and they wished to recover the losses.

As a result, in 1971, city officials and directors of the Sturgis Chamber of Commerce and the Sturgis Improvement Association met with Alden W. Peterson, an industrial development consultant with experience in plant location studies, to talk about the situation. Peterson suggested two specific goals for the city: (1) that they aim for a net gain of 100 new jobs per year--enough to constitute a significant gain but not so many that established industry would be disrupted by the loss of employees; and (2) that they try to attract companies with an ultimate employment potential no greater than 200. His idea was to get small companies to come to Sturgis and let them grow there. He has successfully adhered to this objective: the average employment of new companies is around 30-35. Small companies were also attractive because they are often willing to train their workers. Peterson was subsequently hired by the City Commission as Director of Industrial Development on a year-to-year basis.

The Sturgis Chamber of Commerce, since 1965, has done a survey of local employment every six months. Their data show that the rate of net new industrial jobs coming into Sturgis since 1971 has been about 100 per year. This is shown graphically in Figure 1. As indicated in the graph, Sturgis' overall employment reflected the effects of the oil embargo of late 1973 and the recession that followed in 1974-75, but employment in new industries, though fluctuating, has generally stayed above the line representing a net gain of 100 new jobs per year. Sturgis has very nearly recovered the jobs it lost in 1969-70. Of 67 companies operating in Sturgis in October 1978, 31 started up after January, 1971.

EMPLOYMENT IN STURGIS INDUSTRIES 1971-1978



A total of 44 new companies have come to Sturgis since 1971. Of these, 13 have moved or failed for one reason or another. Any industrial development program should anticipate that a certain amount of failure will occur among its new companies. This should be taken into consideration at the time that specific plans or goals are formulated.

Factors Leading to Recovery

A multitude of factors is responsible for the trend that has taken place in Sturgis since 1971. Perhaps the most important is community support. The Chamber of Commerce has long been active in the community. Its cooperation and enthusiasm, together with the activities of the Sturgis Improvement Association, are vital ingredients in the city's success formula. The Sturgis Improvement Association, a nonprofit organization, controls the industrial land for the benefit of the community.

Sturgis has a City Commission nonpartisan form of government. The commission also appoints a paid City Manager as well as other officials, including the Director of Industrial Development. The Director has an advisory committee, consisting of the City Manager, the president of the Sturgis Improvement Association, and the chairman of the Chamber of Commerce Industrial Development Committee. Industrial development activities, therefore, emanate from the city, itself, with the advice and consent of people vitally interested in development success.

The local newspapers firmly back the idea of industrial development; their editorials have been very supportive of the concept. The local radio station is also supportive in its news and public interest broadcasts.

Sturgis is fortunate to have an effective Labor-Management Relations Conference Board. Composed of nine representatives each from labor and management, the board meets monthly to discuss problems of mutual interest. Generally, the board has been successful in defusing problems before they have become serious. A manufacturers' group also meets regularly, and, among other functions, exchanges information on wages and benefits.

Early Efforts

Soon after Alden Peterson started working for the city, a brochure about Sturgis was printed and was included in a direct mail effort to attract new industries. The brochure, together with a small mailer and a short letter, was sent to a select mailing list of about 2,000 firms in the Chicago, Detroit, and Cleveland areas. Additionally, about 200 companies on the list were contacted by telephone. Peterson believes that this effort was unsuccessful so far as directly attracting new industry was concerned, though it may have produced some benefits indirectly. The brochure's only tangible benefit, in his opinion, was improved community morale, since the brochure was placed in local motels, restaurants, banks, and other public places. He also gave it to the presidents of the local unions for distribution to members.

Another early objective was to build a shell building to house a prospect's operation. It would have contained 16,000-20,000 square feet and been expandable to meet future needs. In 1971, however, Sturgis had 14 empty buildings containing 400,000 square feet of space. Since most of these buildings were in sound condition, one logical course was to attempt to fill these empty buildings first, and this course was followed. The usable buildings were all occupied within the next two years. Sturgis still has not erected the shell building; nevertheless, Peterson thinks that it is a good idea and, in the right circumstances, a fundamental way to attract new industry.

Sources of Prospects

Sturgis learns of prospective new industries through several sources. These include: (1) individuals, (2) Sturgis' own industries; (3) companies in the business of locating plant sites--for example, the Fantus Company or the Austin Company; and (4) the Office of Economic Development, Michigan Department of Commerce.

Although several prospects can be traced to specific sources, the Sturgis prospecting system is not highly structured. Mr. Peterson, the Director of Industrial Development, is well known throughout the community in all of its sectors--industrial, commercial, government, and social. He is active in the school system and community affairs. He is in constant contact with individuals who would be the first to know of a prospect. Almost every adult in Sturgis knows Mr. Peterson or knows of him and his endeavor and would call him or pass the word along if a lead should develop. Most of the prospect leads come to Mr. Peterson because of these widespread contacts, and no formal screening is needed to collect such information.

More formally, Mr. Peterson is in regular contact with plant-location specialists such as the Fantus Company. In fact, they call on him with leads. In addition, he receives information from the State's Department of Commerce through its regularly organized industrial development activity in the Office of Economic Development (OED). Also, as plants become available in Sturgis or new sites are developed through industrial parks, the OED is kept informed of these opportunities.

Finally, prospects are discovered through miscellaneous unclassifiable channels such as the lead relayed to Mr. Peterson through a local citizen who got it from a relative, a lady who lives in Indiana.

In one instance, Peterson learned of a prospect through a "blind" Xerox letter sent to the Sturgis Chamber of Commerce by a prospect located in a large city. It had been sent to many localities in the midwest. Peterson's response, after checking into the company's financial position, was to go directly to visit the prospect. This proved to be more difficult than he expected. After a matter of days and several phone calls he did get to see him and was able to talk to him about what Sturgis had to offer. His presentation included showing slides of the Sturgis area. The prospect was sufficiently impressed that he accepted an invitation to come to Sturgis and see the city firsthand. Eventually, after meeting with Peterson's advisory committee and negotiating for a piece of land, the prospect located in Sturgis.

Peterson is an experienced photographer and he emphasizes the importance of slide presentations to sell Sturgis. He believes that pictures of industrial sites, of the countryside, and of community life (for example, of people in crowds) are far more effective than words to show prospective industries the amenities of the area and the kinds of people living there. Peterson continually updates his file of slides and might employ a series of slides to illustrate progress at particular sites. Slide presentations are used to show prospective managers as well as workers and spouses who may be transferred. He has also used them to encourage prospective doctors to settle and practice in the community.

Selling Points

What does Sturgis stress in trying to sell itself to a company considering relocating or opening a branch plant?

Location

Peterson says the first thing he gives a prospect is a map showing where Sturgis is relative to possible customers and suppliers and such major markets as Chicago, Detroit, and Cleveland. Sturgis is on a direct line between Chicago and Cleveland and is also virtually at the midpoint of the Chicago-Detroit corridor. Peterson points out that if Sturgis is the right place for the prospect, then the community will go all-out to bring him to Sturgis; on the other hand, if Sturgis is not the right place for him, if his freight costs would be too high or his customers too far away, then they would not encourage the prospect.

"Livability"

Secondly, Peterson stresses the "livability" of Sturgis. Sturgis is a clean, attractive city; in short a nice place to live. St. Joseph County has 50 beautiful lakes. Sturgis has good schools, a fine hospital, and a low crime rate. City and county taxes are reasonable and have not risen in the last several years. School millage has increased very moderately.

Furthermore, Sturgis can boast of its municipal airport, community swimming pool and civic center, and its proximity to Glen Oaks Community College--only eight miles away.

People

A third major selling point is Sturgis' people. They are industrious and willing to work--to put in a fair day's work for a fair day's pay. The area includes a fair number of Mennonites and Amish. Many of them are farmers, but others work in Sturgis factories. Their self-sufficiency and work ethic were illustrated after a tornado destroyed many of their homes and farm buildings in 1963. Amishmen from as far away as Lancaster, Pennsylvania traveled to Sturgis to rebuild Amish homes and buildings that were destroyed or damaged. Within a month the job was done. In contrast, those dependent on insurance waited up to two years for repairs to their homes.

Labor-Management Peace

Sturgis is also proud of its record of labor-management peace. Ten companies in Sturgis are unionized and their workers represent 33 percent of the total industrial employment. Peterson stresses that the community "is not anti-union, just anti-problems," and that the Labor-Management Relations Conference Board has contributed to maintaining relatively harmonious relations between labor and management groups.

Financial Institutions

Two commercial banks in Sturgis have a record of supporting area industrial development through loans. They are also willing to cooperate with the Small Business Administration on behalf of prospects.

Land and Sites

Land and sites are available; and many of the sites are in a certified class "B" industrial park which at present is 60 percent occupied. The city has constructed sewer and water services and access roads, so the buyer is receiving good value for his dollar invested. Electric power is also available, some 9 percent of which is produced locally by diesel generators and a city-operated hydroelectric plant. The remainder is purchased from the Indiana and Michigan Electric Company. Natural gas is provided by the Michigan Gas Utilities Company. Good ground water is in abundance, and there are few, if any, pollution problems.

Tax Incentives

Sturgis industries can take advantage of Michigan Public Act No. 198, under which a company can obtain a 50 percent reduction in its tax rate for up to 12 years. This act applies to new construction and new equipment as well as rehabilitation of existing plant and equipment. As of

October 1978, 18 of 67 companies in Sturgis are making use of this incentive.

New EDC

In May, 1978 Sturgis formed an Economic Development Corporation. It will enable the city to assist companies that are building or expanding. Sturgis may also erect a shell building through the EDC, an objective that Peterson has long thought would enhance the development of new industries.

Protective Covenant

A protective covenant has been drawn up which specifies guidelines for operation of plants in Sturgis' industrial parks. It contains a clause preventing incoming companies from speculating on the land they have purchased. Thus, park occupants are aware of what they and their neighbors can do, and industrial harmony is strengthened.

Serving the Prospect

The existence of an industrial development director improves the availability of someone to give a prospect personal attention; people on the Industrial Development Committee of the Chamber or in the Sturgis Improvement Association, no matter how willing, might not be able to do so because of their own business commitments. Besides injecting a personal touch whenever possible, Peterson makes certain that the prospect receives the following items:

1. A map showing Sturgis' proximity to major markets and highway and rail transportation.
2. A community profile, which includes population statistics, a list of major employers, a labor market analysis, and information concerning utilities, municipal services, and the local tax structure. It also contains data about transportation, financial institutions, schools and nearby colleges, and industrial sites.
3. Maps and charts showing the size, specific location, and price of available industrial sites.
4. A brochure about Sturgis containing as much visual material as possible.
5. Assurances of confidentiality to the degree that the prospect desires.

Finally, Peterson sends the prospect a written proposal outlining the total package available to him.

Occasionally, Sturgis has dealt with foreign prospects. When necessary, Peterson has provided an interpreter to facilitate communications.

Although industrial development in Sturgis is coordinated by one person, it is not difficult to assemble a team for a concerted effort when necessary. Such a team might include the City Manager, the presidents of two local banks, and officials from the Chamber of Commerce and the Improvement Association. A prospect sitting down with these people at a luncheon meeting can expect to receive answers to a multitude of questions and is likely also to be impressed by the close-knit relationships among the community leaders and the widespread support of industrial development in the community.

The ability to make such an effort may be a function of the community's size, of the city's organization, and the townspeople's attitude over several decades toward industrial growth. It is nevertheless an asset which has contributed to a relatively steady industrial recovery in Sturgis since 1972.

Assistance is a Continuous Effort

Peterson says that if his philosophy could be boiled down to one sentence, it would be, "Anticipate the prospect's needs and meet them." An essential corollary: "Don't forget the prospect once he has decided to come to Sturgis." That is, Peterson offers assistance in filling out forms if the prospect wants to take advantage of Public Act No. 198 or the EDC. If he needs help in getting utilities hooked up or has other start-up problems, the city provides all possible assistance and acts quickly.

Even after the company has begun operations, Peterson continues to offer assistance and provide it whenever possible.

He also devotes time to helping established industries with problems that he or other city officials are in a position to deal with, such as need for additional space, and where to obtain certain services, supplies, or advice.

Ancillary Activities

Peterson participates in many activites not directly related to obtaining prospects, but which are an important part of the industrial development function. For example, in order to keep the public informed, he makes presentations periodically to the Chamber of Commerce and other civic groups in Sturgis on the progress of the community's industrial development. He has also worked to retain rail service in the area through close cooperation with county officials and by making appearances at public hearings about proposed railway abandonments. Another effort in which he has been active is working to establish commuter air service, for example, between Chicago, Sturgis, and Detroit.

Conclusions

When Peterson was asked to explain the pattern of new industrial growth that has occurred in Sturgis in the face of recession and other economic setbacks, he responded in these terms: "New industries' objectives are based on today's market and tomorrow's market. Older industries, on the other hand, tend to be working on yesterday's market and today's market. New industries, if they survive, have perhaps a better chance to maintain an upward trend since they concentrate on looking ahead."

The diversification of industry that has been attracted may be another contributor to the pattern of growth that Sturgis has experienced. Overall employment is likely to be more stable during periods of economic hard times when the various industries are not dependent on the prosperity of one industry--for example, the auto industry--or on one or two economic indicators.

What other factors account for the success pattern that is gradually emerging in Sturgis? Several things appear to be significant:

1. The city had the wholehearted support and cooperation of the city government, the Chamber of Commerce, and community leaders.
2. Sturgis hired a qualified person to spearhead the development effort and employed him full-time.
3. The industrial development function is within the city government.
4. Realistic goals were formulated that allowed for orderly growth which protected existing industry.
5. Objectives were measurable and were measured periodically.
6. Sturgis had things worth selling, which were sold vigorously, but with a personal touch.

7. Prospects received all possible information to enable them to make a decision.
8. Time was devoted to serving the prospect after his arrival in Sturgis and to assisting existing industry.
9. Labor-management relations were generally peaceful, in part because a concerted effort was made to keep them that way.

COLDWATER CASE STUDY

Coldwater Industrial Park is one of southern Michigan's most successful. Located in Branch County in south-central Michigan, the park was created in 1954 by a nonprofit development corporation, Coldwater Industrial Growth, Inc. Unsold land in the 550-acre park is owned by the city. The development corporation has an option to promote the park and act as an agent in the sale of land and buildings. It also paid the cost of platting the park and part of other costs involved.

Shell Building Program

Soon after the city obtained the land for the industrial park, the directors of the development corporation decided to launch a shell building program. This concept involves erecting a concrete and steel exterior "shell" whose interior is finished by the purchaser to his own specifications. The package price includes three acres of land, a paved street, complete surface drainage, and city sewer and water brought within six feet of the building.

The decisions to form a development corporation and start a shell building program were prompted at a time when Coldwater was losing industry. One of the city's largest employers had already closed because of aging facilities and the company's unwillingness to modernize its plant. Furthermore, some of the existing firms were opposed to more industry coming into Coldwater because they feared that it would disturb their employees' longevity record. As a result of this attitude, Coldwater was at best standing still, if not moving backward.

The trend was reversed by young active businessmen who were being hurt by the stalemate. They formed Coldwater Industrial Growth, Inc. and sold stock to public-spirited citizens, who knew the shares had no resale value, but that the money raised would be used in helping the city to develop the park. The city bought the industrial park land, and since it was adjacent to the city limits there was no problem annexing it. Streets, sewer, and water costs would be repaid as the land was sold.

Funds for the first shell building were raised with the expectation that the money would be returned when the proposed shell building was sold. A total of $60,000 was raised, enabling the corporation to erect the shell in 1956.

Not surprisingly, some mistakes were made in this first venture. According to Mr. Marion L. Pillsbury, who is presently Executive Manager of the Greater Coldwater Area Chamber of Commerce and Secretary-Treasurer of Industrial Growth, Inc., one mistake was the height of the building. Prospective occupants were not interested in a building with only 16-foot ceilings. The shell stood empty for almost three years before Coldwater landed its first buyer, Climax

Molybdenum, whose dedication took place in 1959. Subsequent shell buildings have been built higher--the current shell is 120' x 180' (21,600 sq. ft.) with 20 feet clearance. The shells are also expandable and most occupants have increased their manufacturing area. One company has built nine expansions.

Mr. Pillsbury considers Coldwater's shell building program a fundamental element in the city's industrial growth over the last two decades. Since the first shell was erected, five others have been built. These buildings have only occasionally been sold quickly after they were completed. Frequently, prospects have come to Coldwater to see the shell building and have found it unsatisfactory for their operation for one reason or another. However, in many cases, the prospect was so impressed by the industrial park and the advantages of the Coldwater location that he eventually decided to buy land in the park and erect his own building. In this way the Coldwater Industrial Park has grown slowly but steadily since it was created in 1954.

Coldwater's Industrial Growth Goals

The directors of the Coldwater industrial corporation consider a net annual increase of two to three new medium-sized industries in the area about the right number to produce the kind of growth that Coldwater needs and can handle efficiently. New companies may vary from a handful of employees to two or three hundred. The small companies are expected to grow and expand in future years. Larger companies, employing more than 1,000 workers, might tend to disrupt the pattern of growth that has been established and create sudden strains on the school system, water and sewer facilities, housing, or police protection. Pillsbury also stresses the importance of industrial diversification in Coldwater. Acquiring too many companies whose prosperity depends, for example, on the good fortunes of the auto industry might not contribute to the kind of stable growth Coldwater is looking for.

The year 1978 was an exceptional one for the Coldwater Industrial Park. A total of 12 new buildings were added to the park and five new industrial companies started up operations. Many of the new buildings were expansions of existing operations.

Community Teamwork Essential

Although most industrial inquiries are handled through the office of the Chamber of Commerce, the industrial success of this community of about 10,000 people is not solely a function of an active and enthusiastic Chamber. Marion Pillsbury attributes that success to the close cooperation and support of many community organizations. These include the City Council, the city government, Coldwater Industrial Growth, Inc., and the Coldwater Board of Public Utilities. Close cooperation of the City Council is essential when a zoning change is necessary; likewise, a question of annexation must be resolved with the cooperation of the Coldwater Township Board.

The Branch County Commissioners, the Downtown Business Association, and the area's service clubs also support the concept of industrial development. Leaders of these organizations are willing to "join the team" when a prospect visits Coldwater. They will lend assistance to existing industries that need it. Coldwater's broad-based community support of controlled industrial growth is a great asset and a vital ingredient in its success formula.

Sources of Prospects

Soon after the industrial park was established, officials in the industrial corporation ran an ad in the Wall Street Journal that cost several hundred dollars and produced no direct results. They now respond to leads originating closer to home, and this has been much more effective. These leads may develop from contact with a manufacturer's representative whose home company may be contemplating a move; or local business or industrial people may hear of a company executive who has expressed interest in Coldwater's shell building.

As an example, Mr. Pillsbury recalled receiving a phone call from an officer in the Coldwater Regional Home. The official's brother-in-law had been in Coldwater a few days before and had mentioned that his boss had been saying that he was dissatisfied with the present plant location. "What's the boss' name?" asked Pillsbury. The man did not know. He was not even sure of the name of the company; however he could supply the brother-in-law's telephone number. Pillsbury called the brother-in-law and obtained the name of the company and of its president. The next day, after checking into the small company's financial rating, he talked to the president, explaining how he had heard that their plans were indefinite, and took the opportunity to tell him a little about Coldwater. "Well," said the president, "do you ever work on Saturday?" A Saturday appointment was set up, the company president came down, and he ultimately set up successful operations in the industrial park and is now in the process of expanding their 60,000 square feet.

Virtual "shots in the dark" have also resulted in happy endings for Coldwater's development efforts. Pillsbury tells the story of reading a small news item in the Wall Street Journal one morning. It said little more than that a company in California was considering locating a plant in the midwest. Pillsbury telephoned the company immediately, not thinking of the time difference between Michigan and the west coast. The receptionist informed him that the president never arrived that early in the morning. Pillsbury offered to call back later, but was told, "Wait just a minute. He's coming up the walk right now." When the president finally came to the telephone, Pillsbury introduced himself and was not surprised to learn that the executive had never heard of Coldwater, Michigan.

Somewhat startled at being called so early, he nevertheless listened to what Pillsbury had to say about Coldwater as an industrial location and promised to look over the literature that Pillsbury said he would send.

Several days later the president called Pillsbury, telling him he had to be in Detroit in a few weeks. He had looked over the literature and thought perhaps he could get down to Coldwater on that trip. He called again after he arrived in Detroit, and the following Saturday he visited Coldwater. That company's midwestern plant is now doing business in Coldwater's industrial park and made an expansion this year.

Happy endings, however, are not always the case. Pillsbury says he has also lost prospects that he worked hard for and who appeared very interested in Coldwater. One prospect even signed an option, paid some money down, and then pulled out to take advantage of a more attractive financial opportunity that was only two miles away from the firm's original location. Clearly, industrial parks do not bloom overnight--and should not be expected to. Hard work and persistence, however, can do wonders over the long term. Coldwater's experience over the last twenty years is illustrative.

Coldwater also learns of industrial prospects through the Office of Economic Development (OED), Michigan Department of Commerce, as do other Michigan cities. Occasionally, OED will bring or send a prospect to Coldwater or other Michigan cities. The Office has been particularly active in encouraging out-of-state industries to locate in Michigan. Michigan cities will keep OED informed as sites or buildings become available, within or outside of industrial parks.

Coldwater has wooed and won several foreign prospects. Its industries include an Italian company, a Japanese firm, and a Canadian enterprise. Except in the case of one foreign firm, local citizens were available as interpreters to facilitate communications. Local industries provided leads on some of the foreign prospects, and the international division of OED has assisted by enticing prospects to consider Michigan.

When a lead materializes or a prospect contacts the Chamber of Commerce, Pillsbury sends literature describing the shell building program, the industrial park, and Coldwater in general. He follows up with a telephone call. The literature includes maps and an attractive brochure. The one time these brochures were used in a direct mail program produced no direct benefits in obtaining prospects. The brochure's greatest value, in Pillsbury's opinion, is in follow-up and as a means of making Coldwater known to tourists.

What are Coldwater's Strongest Selling Points?

Pillsbury stresses Coldwater's location above all other aspects. Located at the intersection of U.S. 12 and I-69, the city is about halfway between Detroit and Chicago. I-69 is a direct link between Lansing to the north and Indianapolis to the south. Only 14 miles south it connects with the east-west tollway I-80, 90. Half a dozen good-sized cities are within an hour's drive. Thirty-five million people live within a 250-mile radius of the city. Outstanding rail service is available--right in the industrial park. In addition Coldwater is a center of excellent trucking facilities. Twelve truck lines serve Coldwater, and the city is the site of one of Michigan's largest truck terminals. It handles about 3½ million pounds of freight daily.

Coldwater is also proud of its work force. Its people are hard-working, trainable, and adequately educated. The workers are about 50 percent unionized. There is little labor unrest.

Pillsbury stresses the lower operational costs that prospective industries can anticipate in Coldwater. Labor rates are generally lower than in most larger cities. City, county, and school taxes are extremely reasonable. Tax abatement incentives are also available (see below).

Land and Buildings

The shell building program currently makes available a 21,600-square-foot expandable shell at $6.92 per square foot, including 3 acres of land. Land in parcels of at least 3 acres is for sale at $3,500 per acre, including sewer and water.

The industrial park is certified Class "A" by the Michigan Department of Commerce. The park provides a paved road adjacent to the site and a Class "A" road through the park; rail service is available in the park; sewer and water service are part of the package.

Additional Incentives

Coldwater industries are offered the opportunity to make use of Michigan 1974 Public Act No. 198, under which a company may be eligible to obtain a 50 percent reduction in its tax rate for up to 12 years. Thirteen companies are presently taking advantage of this incentive. The city of Coldwater has frequently used the Michigan Industrial Development Revenue Bond Act 62 of 1963 to assist industry. Under this law a city may issue nontaxable revenue bonds to finance up to 100 percent of industrial buildings and sites and industrial machinery and equipment. Coldwater has used this act more than any other city in Michigan. Michigan's Single Business Tax, which eliminates a firm's tax on inventory, is another attractive incentive, especially to those out-of-state companies for whom inventory taxes are a problem.

Living Conditions

Coldwater is located in a beautiful, rural area of southern Michigan. Branch County has 250 lakes. The community has good schools, an outstanding health center, which was recently expanded, and numerous recreational facilities. In addition Coldwater takes pride in its Branch Area Careers Center and its professional summer theatre performing in the historic Tibbits Opera House. All things considered, Coldwater is a pleasant place to live and sells itself as such in its industrial development effort.

Utilities

The Coldwater Board of Public Utilities operates the municipal power plant and maintains the city's utilities. City water capacity is 589,800 gallons per hour, and an efficient waste water treatment plant handles 400 to 500 million gallons of waste water per day. The city generates most of its electric power, with the remainder supplied by Consumers Power Company. The Michigan Gas Utilities Company furnishes gas to the community; this supply is being supplemented by the Great Plains Gas Company and Amtane, Inc., local distributors of liquefied propane gas at prices competitive with natural gas.

Financial Institutions

Coldwater has three commercial banks and two savings and loan associations which represent over $800 million of deposits in the South Central Michigan area. They have a good record of serving existing and incoming industrial companies and are an example of the community support and cooperation that is typical of the Coldwater area.

Conclusions

Coldwater's shell building program is the keystone of the industrial progress achieved in the area over the last two decades. The Coldwater Industrial Park might have grown without it, but the shell buildings served as magnets, attracting prospective industrial companies to the area. Some of these companies found the shell building inadequate to their needs, but decided to buy a site in the park and build their own facility. Thus, the shell building created its own "multiplier" effect.

Several other factors contributed to Coldwater's industrial growth:

- Industrial development had the whole-hearted support of the city government, the Chamber of Commerce, Coldwater Industrial Growth, Inc., and other community organizations.
- Industrial development efforts were coordinated by a qualified officer of the Chamber of Commerce who was also an officer of the nonprofit industrial corporation. He was a devoted public servant with relevant experience and roots in the community.
- Realistic goals were formulated that allowed for orderly, controlled growth in the industrial park. These goals also served to protect existing industry.
- Sites in the industrial park were offered at a competitive price. The package included paved roads, and sewer and water within six feet of the building.
- Industries in Coldwater are diversified; this has undoubtedly contributed to Coldwater's industrial

> growth pattern and permitted overall employment to remain relatively stable.
>
> Coldwater is a community worth selling to industrial prospects and it is sold vigorously. Prospects receive complete and accurate information, enabling them to evaluate Coldwater as an industrial location.

An industrial park, with or without a shell building program, is a long-term method of improving the economic base of a community. The industrial growth produced by the Coldwater Industrial Park occurred gradually over more than twenty years. The park is not yet fully occupied. Additional growth, however, can be expected in the favorable industrial climate that has been created and maintained.

HOLLAND CASE STUDY

During the late 1950's, several manufacturing companies located in Holland, Michigan, outgrew their plant facilities. Since no significant incentives were in place to encourage rehabilitation or expansion projects, and city services were not immediately available to new construction, two major businesses built branch plants in nearby townships where they could enjoy lower property taxes on the same investments.

The city's commercial business and government leaders became concerned. Together, they commissioned the Fantus Corp., a private plant location consulting group, to do a study of Holland industries, the community, and future needs of both. Among recommendations to emerge was the creation of a local land development corporation. Holland did this.

With a history of strong manufacturing presence in the community, Holland long has enjoyed full, or nearly full employment. During the early 1960's, city unemployment reached a high of six percent. Developed land accounted for almost 100 percent of city space. "Planning" described catch-up operations to extend adequate services to buildings already in place.

In contrast, the current unemployment rate runs less than four percent. The economic base of the community has expanded from furniture manufacturing and food processing--dominant local industries for nearly 100 years--to include machine tool makers, auto parts producers, boat manufacturers, aerosol packagers and valve makers, and electrical controls manufacturers. With few exceptions, new companies who settle in Holland have quickly expanded. This has occurred on sites large enough to permit additional plant expansions in every case.

Industrial Area

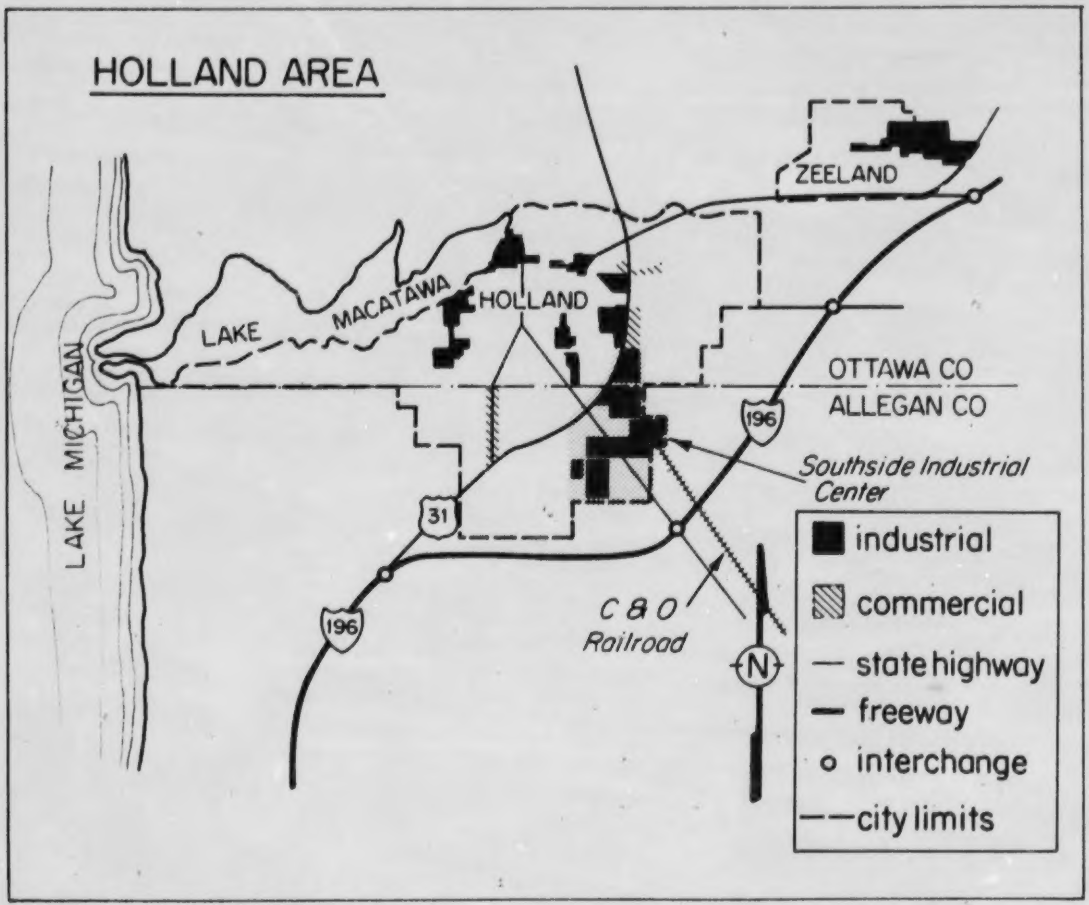
The economic atmosphere of Holland during the late 1950's and early 1960's was breeding ground for a 400-acre industrially zoned area, now serving 36 small and medium-sized companies, and capable of accomodating a dozen more. Developed by the Holland Economic Development Corporation (HEDCOR) on annexed township land, the city-serviced area is called the Holland Southside Industrial Center.

Started in 1962 with the purchase or optioning of 100 acres of agricultural land, total Center acreage grew to 400 by 1968. Generally, land acquisition was accomplished quickly and at low per acre cost. Private speculators or hold-outs did not create any significant problems during this phase of development.

"A land parcel was traded in just one instance for a key plot needed to complete an industrial site," recalls Roscoe Giles, industrial coordinator, Holland Area Chamber of Commerce. "We had enough land on option that we weren't held up by any one snag or any attempts to speculate. There always were alternatives."

Most land acquisition for the Industrial Center was done by option and land contract. Residents were free to use their land until a purchase agreement was negotiated with an industrial prospect. Until then, residents paid no property tax and received scheduled payments. Many were pleased with the arrangement.

Meanwhile, improvements were made to the industrial area. Roads were constructed. Utilities were brought onto the site. An overall site development plan was drawn up by city planners. Filling and grading began at a few initial sites.


HOLLAND AREA
ZEELAND
HOLLAND
LAKE MACATAWA
LAKE MICHIGAN
OTTAWA CO
ALLEGAN CO
196
31
196
Southside Industrial Center
C & O Railroad
N
industrial
commercial
state highway
freeway
interchange
city limits

Incentives

HEDCOR advocated the use of state and federal economic development legislative programs as they came along. Several early locators in the Southside Industrial Center financed construction with Michigan Industrial Development Revenue Bonds (see p. 27). Later, HEDCOR leadership launched another organization which met the requirements of state Economic Development Corporation legislation (p. 24), providing a more efficient revenue bonding capability. Just a few years ago, the Center was declared an Industrial Development District, making possible property tax incentives for new construction; many recent expansion programs have been conducted under Plant Rehabilitation program incentives (p. 33). During the past year, Holland chartered a Downtown Development Authority (p. 30).

Currently, 325 acres of the Industrial Center are occupied by 22 manufacturing companies. Twelve other manufacturers have built plants on the periphery of the Center. Current negotiations with a manufacturer may soon result in a sales agreement for a large portion of the remaining 75 acres of HEDCOR land.

Relying on continuing prompt city government cooperation, none of the Industrial Center land was parceled in advance of sale. This allowed HEDCOR to suggest locations and parcel sizes to prospects based on the scope of initial construction, and anticipated expansion on the site. Nearly all sales were made at cost plus one-half standard real estate commission.

Protective convenants were included in sales agreements. Among the convenants was a stipulation to resell the property to HEDCOR at cost if construction did not follow within two years. Excavated earth was to be placed in locations designated by HEDCOR to help satisfy fill requirements on other sites. Setbacks, landscaping requirements, and a few architectural restrictions have helped to produce attractive plant buildings in the Center and a pleasing overall appearance.

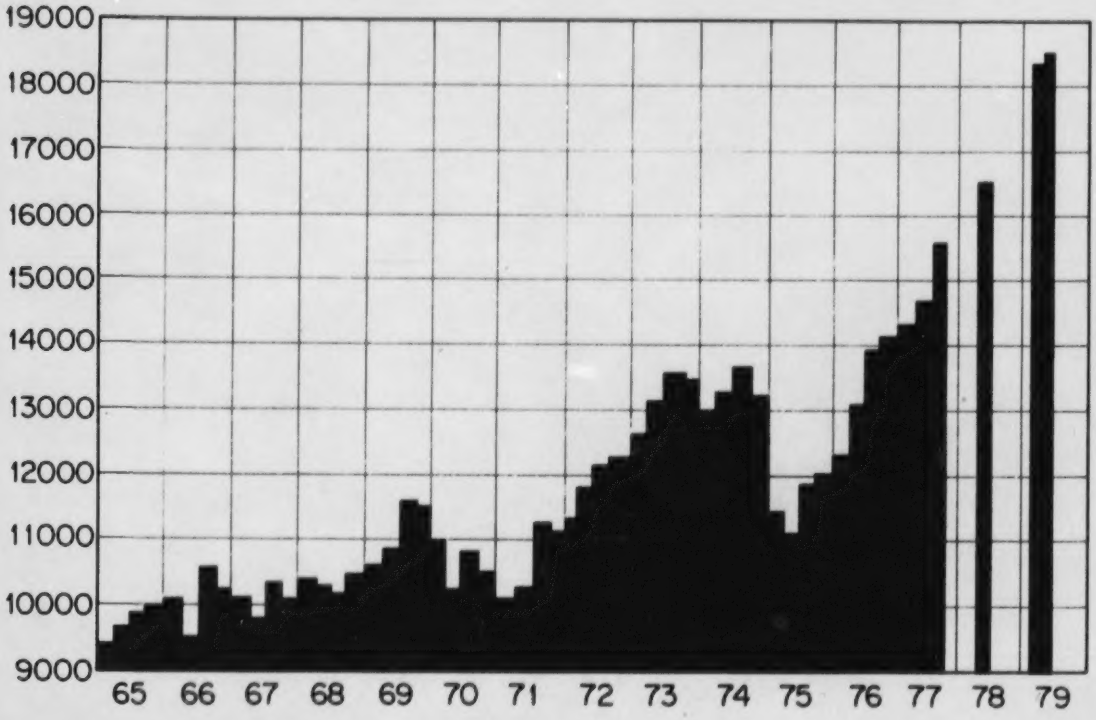
Of the 38 companies to settle in or near the Southside Industrial Center over the past fifteen years, only two have failed. Most arrivals have been sound business ventures with adequate private financing to weather temporary hardships.

New Emphasis

Following 15 years of managed industrial growth in and around the Center, city manufacturers again approach saturation of usable industrial land. The focus of economic development activities during this period, however, has shifted from strictly a city effort to a metropolitan region push. No additional city annexations are planned. Instead, HEDCOR works just as actively to lure new industry to neighboring communities as it does to promote Holland's own growth.

Zeeland, the largest of nearby cities, with 5,600 population, has achieved as high a ratio of industrial employment in recent years as Holland, population 28,000. A total of 80,000 persons live within a 12-mile radius of the two-city area. Employees of companies located in Holland and Zeeland include many commuters. The area's 188 manufacturing businesses employ more than 18,000 persons in the two cities, plus Holland Charter Township.

HOLLAND-ZEELAND INDUSTRIAL EMPLOYMENT



At the center of regional economic development activities for seventeen years has been Roscoe F. Giles, industrial coordinator, Holland Area Chamber of Commerce. A half-time consultant to HEDCOR, which has no employees, Giles devotes the other half of his time to chamber functions. He is a member of the Holland Tulip Festival Committee and many other civic groups that promote tourism, commerce, and industry. All such city groups, with the aid of local government, share responsibility for accomplishing economic development goals--Giles' role is one of chief sales agent and program advocate.

Originally from Bangor, Maine, Giles was recruited to manage HEDCOR's new program in 1963. Then, his credentials included 11 years of experience in Chamber of Commerce and industrial development work for several New England and New York state communities. According to Giles, he had been seeking a Midwestern post for several years. Holland's natural features and community spirit met his best expectations.

Prospect Finding

A very low pressure but persistent sales agent, Roscoe Giles suggests the majority of industrial prospects to visit Holland have been referred by the Michigan Office of Economic Development, matched with site information regularly sent to this state office. Word-of-mouth tips from company executives already at home in Holland provide the second largest number of "live" prospects. Private plant location consultants and industrial real estate agents have supplied one or two solid leads in 15 years. The C&O railroad and Consumers Power Co. were very helpful during the 1960's. In recent years both rail and utility companies have been constrained from performing certain economic development functions.

The HEDCOR mailing list for distribution of promotional materials reflects Giles' experience in prospect finding.

Copies of new printed matter are sent to the Michigan Office of Economic Development, utility companies, local industries, and real estate companies. The Holland group has never done a mailing to selected out-of-town industrial companies. Advertising promotion has been very limited and sporadic, with no measurable results.

Local news media report regularly on HEDCOR projects, presenting them in terms of community interest. Holland and Zeeland have one daily newspaper and three radio stations. Giles and HEDCOR directors have appeared on radio talk shows several times. Newpaper coverage is frequent.

Outside the community, there has been no concerted public relations effort concerning HEDCOR projects. Tourist activities, on the other hand, often receive wide major media attention. Limited tourism advertising helps to promote special events.

As Holland Area Chamber of Commerce's Roscoe Giles has identified prospects, he has followed some routine procedures during initial contacts, visits, and follow-up. In advance of a visit, Giles tries to size up a prospect through phone conversations, establishing their approximate needs for work force, utilities, and land. Usually, he mentions Holland businesses similar to the prospect's business and asks if he or she would like to meet them during a visit.

If time permits, Giles sends a packet of information to the prospect. This is composed of material which generally describes the community and its services, pertinent labor force statistics, a HEDCOR brochure, information on HEDCOR services including revenue bond financing and liaison during start-up, and a guide to existing manufacturers in Holland.

Prospect Handling

Prior to a prospect visit, Giles arranges tentative meetings with local manufacturers at their plants, or at luncheon spots. His rule for introductions is to involve "as few people as possible to get the job done--usually two or three in a day." Sometimes Giles works alone with the prospect during the bulk of the day. As a means of introducing the prospect to community leaders he may set up a luncheon meeting with a group of local people.

The industrial coordinator offers to pick up prospects at the airport, or whatever seems appropriate, but is willing to accept a negative response. His basic sales approach is reactive, identifying needs and trying to satisfy them.

During a visit, Giles often brings the prospect first to his office. They talk. He answers any questions that may come up, making notes for follow-up that may be appropriate later.

Once questions have been fielded, and responses given or promised at a later date, Giles invites the prospect out for a tour. He covers the city, taking routes from one landmark to another that reveal pleasant scenery. If possible, he drives the prospect to Holland's lakeside resort for lunch, then circles past the city yacht club on his return trip.

This sets up a nice route through the town's best residential neighborhoods and past the newest schools. He includes fire and police stations on the tour, then turns off into the Industrial Center.

Meetings between the prospect and local manufacturers occur at this stage if they have not taken place during lunch. As Giles and the prospect drive around the Center, the industrial coordinator explains a little history about each company and notes their business performance. Meetings with others may follow--bankers, the mayor--if the prospect has requested them. Then the two return to Giles' office.

"I try to sit him down for a review at this point," says Giles. "What more can we get for him?"

Unless some specific arrangement had been made, the industrial coordinator follows up with a letter to the prospect after one week. He gives pertinent additional information if possible. Patient but persistent, Giles may write or phone several more times before letting the contact drop. This process can stretch out to intervals of six months or a year between communications.

"I had one company president visit who got angry because I wouldn't dicker on land price. Someone had told him I would, but I didn't," remarks Giles. "He stayed away for two years, then finally bought a parcel at the asking price.

"If land is sold without some profit, you have to sell for a higher price later, or sell again at a loss. In cases where we have had to pay significantly more for a key parcel to complete a plat, we have computed a price based on average land costs in the entire Industrial Center. This may have involved a loss, but not one that was repeated."

Shell Buildings

While HEDCOR officials are aware of shell building programs in other Michigan communities, they've never felt them appropriate for Holland. Land development efforts there followed saturation of existing city space. The intent was to provide new land area for plant locations on lots large enough to permit future growth of facilities, easing the bottleneck situation that had surfaced during the late 1950's. The emphasis in prospect finding has been on the soundness and growth potential of prospective employers and not on the speed of start-up. Community leaders sought gradual increases in employment rather than quick bursts of job development.

Giles is a member of the school of industrial developers who believe that shell building programs are risky. Bad experience with such a program in another community 20 years ago turned him against the concept.

"I helped build a shell once in New York state," he says. "It was just prior to a recession. The building remained vacant for two years, and my photograph standing in front of it was published. I was not too popular in the community as an industrial developer.

"When we did find a company to occupy the shell, they quickly wanted to expand," continues Giles. "Though the building had been designed to be expandable in two directions, they needed to go out in a third direction. It just so happened that a bordering township lay in this direction. So, we attempted annexation. This was unsuccessful. The company left. The building became a monument to failure.

"When a community develops an industrial park and puts one speculative building on it, everyone's attention gets riveted on that spot. If nothing happens, it may demoralize everyone--first the industrial developer, then everyone around him."

Despite Giles' rejection of shell building for Holland, he does concede that the concept makes sense for other communities with different needs. When rapid employment increases are an objective, or when marketing efforts involve very large land areas, he believes speculative construction may offer a great deal of promise.

Selling Points

The Western edge of Holland borders on Lake Macatawa, feeding directly into Lake Michigan. City docking facilities can handle commercial ships of up to 500 feet in length. They also serve as a sheltered port for summer yachting traffic, cruising Lake Michigan from Chicago to Mackinac. Although a proposal to dredge a new channel in Lake Macatawa for larger ships, and safer access, has been debated locally for several years, no action has been taken to date.

Giles suggests city leadership hopes to preserve a balance between commercial and tourist boating, avoiding the cluttered coast lines typical of port cities. Several area businesses have arranged for regular shipping service, however, receiving raw materials and transporting bulk finished goods to Chicago. Within 120 miles, Chicago is the nearest major market.

City streets and a US-31 bypass, provide quick access to I-196 which links with I-94 to the south and I-96 to the north. Within 35 miles of Holland on I-196 is Michigan's second largest city, Grand Rapids. From there, I-96 continues east to Lansing, and Detroit, about 225 miles away.

Two hometown trucking companies serve Holland industries, and 16 national trucking lines make scheduled stops there. Leased tractor-trailer rigs are available from two area transportation companies. More are available in Grand Rapids.

Rail service is C&O, operating between Chicago and Grand Rapids. The Holland Southside Industrial Center includes a stretch of rail siding and four shared-access rail spurs. One spur predates the development of the industrially-zoned area. HEDCOR financed construction of the other three, billing each company user an equal share of incurred costs.

City utilities include water, sewer, storm drains in some areas, and electricity produced 100 percent by a municipal power commission. Natural gas is supplied by small, nearby Michigan Power Co. which owns some wells and buys additional supplies aggressively.

Seasonal Tourism

The culture and tradition of this western Michigan town stems from its origin as a Dutch settlement, founded in 1847. Nearly 65 percent of the area population are descended from these pioneer forebears. Like their former countrymen, Holland citizens have a reputation for resourcefulness. Few other communities have struck such a cheerful balance between a strong industrial economic base and seasonal tourism, launched each spring in Holland by the nationally-known Tulip Festival. This combination has proved more successful than might have occurred with either emphasis alone.

Promotion of tourist events has given the city high visibility. Quality of life associated with tourist attractions has aided sales efforts to lure diverse and expanding industries to the town. City leadership has never been willing to trade transient gains in one direction for losses in the other. Both tourism and manufacturing industry have been pursued with equal fervor.

City Features

Besides its tulips and ceremonial wooden shoes, Holland has fine recreational areas, city and state parks, many sports facilities, a yacht club, and quiet beaches. With few exceptions, residential neighborhoods are well kept and brightly painted. The architecture of many homes retains a Dutch influence--even in some contemporary models--lending a charming appearance to much of the city. This neatness and brightness is maintained in the downtown shopping district which includes a full range of retail stores. More extensive weekend shopping sprees can be had in Grand Rapids or Chicago.

Holland's fire protection and police facilities are very much up to date. One two-engine fire station is located in the Southside Industrial Center. The city medical center, recently renamed Holland Community Hospital, has 60 physicians on staff and 600 employees.

Among Holland's strongest points are its churches and schools. Public, private and parochial, elementary and secondary schools participate in national accreditation programs. A Dutch denomination seminary is located in town. Its affiliate, Hope College, with a four-year academic program and 2000-student enrollment, provides many extra entertainment events and hosts small conventions during spring and summer months.

Due to the growing success of convention activities, the Holland Area Chamber of Commerce has supported efforts to increase city hotel and motel space. The town has one large downtown hotel, a medium-sized major franchise motel near the Industrial Center, and an exclusive resort facility on lakeside. During summer months, these and other lodging places often are booked too consistently, turning many potential visitors away. Current plans for local purchase and expansion of one of the motel facilities are underway with uncertain potential. Future hotel and motel developments may require collaboration between local government and commercial business groups. This is promising.

HOLLAND REAL PROPERTY VALUES

Estimated* True Market Value in Current Dollars

	1965	1978	Percent Change
Agricultural	0	1,504,000	-
Commercial	18,548,445	48,140,400	+159
Industrial	13,471,290	39,853,400	+196
Residential	80,893,620	175,417,300	+117
Total	$112,913,335	$264,915,100	+135%

Estimated* True Market Value in Constant Dollars
(1972 = 100)

	1965	1978	Percent Change
Agricultural	0	947,700	-
Commercial	24,897,242	30,334,215	+22
Industrial	18,082,268	25,112,413	+39
Residential	111,886,058	98,108,110	-12
Total	$154,865,568	$154,502,438	-0.02%

* Figures are based on Holland State Equalized Valuations for periods indicated, adjusted to estimated true market value for comparison. 1965 S.E.V. was based on 33-1/3 % of true value; 1978 S.E.V. was based on 50% of true value.

Cooperation

A convincing example of close cooperation between city government and Holland businesses is free downtown parking lots located behind block-long stretches of retail stores. Several years ago, the city leased these patches of land from store owners and built the parking lots. One-hour meters were installed, charging the same ten cents per hour fee as diagonal, front street parking.

Working through the Chamber of Commerce, retail businessmen asked the city to remove the meters. Local government officials agreed, provided downtown business would contribute their share of maintenance and police costs to enforce a two-hour free parking limit.

Similar cooperation has been evident in the phased development of the Southside Industrial Center. Many city services have gone in on speculation. When HEDCOR funds have paid for improvements, city engineers have taken responsibility for supervising the work. Later, as new companies built facilities in the Center, municipal power company hookups were provided free of charge.

Holland's economic development achievements have not been attributable to any one group. The Chamber of Commerce, city government, banks, real estate companies, trucking firms, and the municipal power commission all have contributed capital and services to the effort. Private businesses donated a total of $165,000 to HEDCOR at its start. Modest profits from industrial land sales have increased operating funds over the past fifteen years. Banks and commercial businesses that funded the development effort have profited indirectly through increased community payrolls and customer population.

New employment by companies locating in the Industrial Center has resulted in a net increase of nearly 500 jobs per year in Holland. During the period 1964 through 1973, city industrial employment rose 36.2 percent, more than keeping pace with the natural increase in the labor force, and reducing the unemployment rate.

INDIANAPOLIS RUBBER COMPANY CASE STUDY

Crisis has fostered many community economic development programs. When things fall apart, people band together to make repairs.

Among the economic disasters that can befall a community is the closing of a major employment facility. Unemployment figures swell overnight. Retail businesses soon feel the bite of reduced family incomes. Bank savings decline. Loan funds dry up. New investments in productive enterprises plummet.

The shutdown of the Uniroyal inner tube plant in Indianapolis, Indiana was one such calamity; how it happened and what the community did to revive the plant under new ownership is the subject of this case study.

Over the past half century, as large conglomerate corporations have proliferated, motives for plant closings have multiplied. Although family businesses tend to remain in one location because of personal ties or traditional attachments to a community, anonymous corporate bodies react more to profit and loss statements. These businesses find compelling reasons to close branch plants when their performance lags, or their strategic importance to other corporate operations becomes obsolete.

Usual community reaction to a plant closing is to endure it, then to pick up the pieces for a new start. Several recent cases have demonstrated successful exceptions to this approach. In these incidents community leaders have played an immediate crisis intervention role, attempting to persuade corporate executives to retain the plant through community incentives, and failing that, to arrange continuing plant operation through new ownership. In some cases, new owners were plant employees. In others, they were entrepreneurs or a group of investors. Key investors in at least one case of this kind were government bodies.

During the winter of 1976-77, Uniroyal, Inc., announced tentative plans to close its 600-employee inner tube manufacuring plant in Indianapolis, Indiana. Operationally, the plant was among the least profitable units of the corporation's tire division, headquartered in Detroit. Officials at the central corporate office, located in Connecticut, had decided for financial reasons that it was essential to divest the company of the Indianapolis plant midway into a major new product diversification program with greater profit potential.

Tire division executives agreed, despite problems it might pose in obtaining new sources of inner tube supply. The Indianapolis plant had experienced a long and bitter history of labor-management relations difficulties. The 600,000-square-foot building housing the plant was aging and in disrepair. Much equipment in the facility was in need of replacement. Profitability had been negligible to negative for many years due to a declining market for automobile inner tubes, price competition from independent manufacturers, and the high level of corporate charges allocated to the plant under a Uniroyal pension program.

In fact, tire division leadership had threatened to close the facility repeatedly during union contract negotiations over a period of several years preceding the central corporate directive. These tactics may have won some bargaining concessions during early contract years, but they eventually prompted a very skeptical local union posture. "Officially, they insisted that Uniroyal was 'crying wolf' again," suggested one community leader.

Since the corporation had not announced any specific date for a plant closing, a widespread opinion in the community was the "tentative" announcement to close was merely another challenge to the local union. Six months went by before it was taken seriously by union members and the public. In July of 1977, Uniroyal announced the sale of several items of plant equipment, and firm intent to cease production "within the year." Again, no specific date was given.

Meanwhile, Indianapolis City Council President Beurt SerVaas and Mayor William H. Hudnut had begun working behind the scenes to evaluate the situation. In January, the two had invited the corporation president by letter to visit Indianapolis and to explain company plans. Through corporate channels, the company's tire division president was asked to appear on behalf of the corporation's chief executive. He arrived in Indianapolis accompanied by the tire division controller and met with the Mayor and City Council President.

The company team repeated what had been announced officially earlier. No specific date was indicated for a complete shutdown. However, these two executives did mention that they were negotiating sale of the facility with two prospects, and they assured city officials of progress reports on these negotiations.

Several weeks passed with no word from Uniroyal tire executives. On a business trip to Detroit, the City Council President phoned the company, reaching the controller who had visited. He asked to be brought up to date on plant sales negotiations. At a luncheon meeting the company financial officer told Council President Beurt SerVaas that sales efforts had been broken off. "Unless you come up with something in Indianapolis, I'm afraid the timetable we announced is intact," said the controller.

The city official returned to Indianapolis convinced that local union skepticism about company intent was in error. He told Mayor Hudnut his feelings. The two conferred. Council President SerVaas took the assignment to obtain financial data on the plant, and to evaluate its potential for continuing operation under new ownership. If operating statements and balance sheet analysis suggested that the production operation had value, a local sales effort would be the next logical direction for city officials to pursue.

Upon receiving financial data from tire division executives, SerVaas found that the plant's current cost structure would not support profitable operation. If a few cost-saving measures could be introduced, however, the production facility showed potential for sustained profitability. Reduced labor costs were one possibility. Low debt service costs for plant and equipment were a second.

SerVaas, himself an industrial plant owner, called several business acquaintances to probe plant sales potential. Responses were not encouraging. Some told him they would invest if he did, but they would expect the Council President to take management responsibility. At this point, the idea entered SerVaas' mind that he might be the only viable prospect for plant sale. "I still did not have any idea if the missing pieces could be put in place or if I'd want to do it," SerVaas remarked. "Besides, who is looking to get into an obsolete business?"

No newcomer to the task of rescuing failing businesses, Beurt SerVaas had turned several financially troubled firms into profitable operations. These included a foundry and forge company, a truck body manufacturing business, and notably, Curtis Publishing Company, which publishes children's books, The Saturday Evening Post, and other consumer magazines.

"There's a real excitement to taking a lost cause and saving it," SerVaas insisted. "Your money will buy more in these situations, but the risk is higher.

"It reminds me of a person who has had a serious illness, like a heart attack. He's very hesistant to talk to his peers and even his family about the problem. He often does everything he can to conceal it. Businesses are no different. As they become ill, they may withdraw, avoiding publicity. Executives may make decisions that they would not make if the company were healthy--decisions not to fix a piece of equipment, not to take advantage of a marketing opportunity. They give up. They've lost the will to live."

Hoping to rule himself out of the prospect picture, the Council President went a step further in assessing continuing plant production potential under new ownership. Mayor Hudnut and SerVaas arranged to meet with local union executives. The two city officials told employee leadership that plant closing seemed to be a real threat, and asked if they could count on cooperation of the labor leaders in an attempt to avert the shutdown. A skeptical union executive committee said, "Yes, we'll see."

Following the meeting, the City Council President and the local union President traveled to Akron, Ohio to discuss the situation with Peter Bommarito, United Rubber Workers International President. In Akron, the two received permission from Bommarito to renegotiate the plant contract on a hypothetical basis--to be offered to Uniroyal or to a new owner.

Next, Uniroyal's tire division president was asked by phone for 60 days of cooperation while city officials attempted

Uniroyal Plant Here Closes Friday

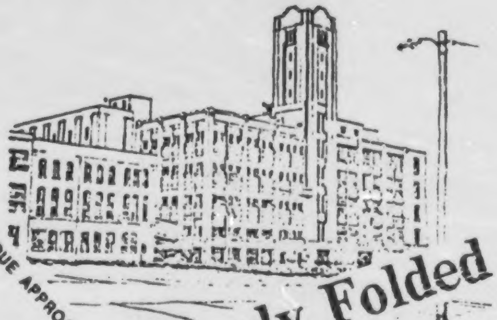
Uniroyal Inc. said yesterday it will close its Indianapolis plant next Friday because the factory at 549 East Georgia Street, one of the city's oldest, is no longer profitable.

PRESS CONFERENCE
December 23, 1977
Noon
Room 260, City-County Building

Uniroyal Employes Pin Hopes On Sale

The Indianapolis Rubber Company

INDIANAPOLIS RUBBER COMPANY'S UNIQUE APPROACH SEEMS TO BE A WINNER...



Indianapolis Rubber Will Open Monday

The new Indianapolis Rubber Co., the former Uniroyal Inc. plant at 549 East Georgia Street, will open at 7 a.m. Monday, a month after Uniroyal closed the factory.

The plant, which makes inner tubes, was purchased by Beurt R. SerVaas, president of the City-County Council and an industrialist and publisher.

The Plant That Nearly Folded

To the Rescue

Tube Plant, 600 Jobs Saved in Indianapolis —In the Nick of Time

Entrepreneur, Three Banks And Union Join to Offset A Shutdown by Uniroyal

Workers Share Profits Now

IPALCO Selling Coal To Company

Indianapolis Venture Created by Citizens

Hudnut 'Saves' SerVaas Project

Buert R. SerVaas, entrepreneur and politician, was just a press release away from announcing that his rescue of the Uni-Royal plant had fallen through.

SerVaas confirms that the intricate negotiations among himself and three banks — Merchants National, Indiana National and American Fletcher (on whose board SerVaas serves) — had broken down.

The invisible factor in the final success of the deal three days later reportedly was Mayor William H. Hudnut. The mayor is said to have rounded up chiefs of the three banks and convinced them the value of the project was worth the unique relationship they would be forming with SerVaas.

Result To Admire

Indianapolis Rubber Co. Earns $650,000 1st Year

to prepare a "proposal." "They were a little bit like the union," commented SerVaas. "They didn't see what a couple of city politicians could do to alter the situation, either."

SerVaas, the businessman, now began to commit personal resources to the problem. The secretary-treasurer of a SerVaas, Inc. company, William Spencer, was asked to do a complete financial investigation of the Indianapolis inner tube plant. A former city controller, Spencer was assured the cooperation of local company management. He devoted several months to the task during the spring and summer of 1977.

Spencer quickly acquired a more complete picture of plant profitability. He found that Uniroyal's pricing understated the potential profit on its output because, as a matter of routine, the company often used their inner tube inventories as loss leaders, throwing them in at cost to sweeten a tire sale. Any losses were recorded against the Indianapolis plant.

An abbreviated marketing study indicated that the inner tube plant accounted for 15 percent of national production capacity for this commodity. With continued sale of a share of production to Uniroyal, a few new customers, and a less costly union contract, Spencer reported, the plant might achieve sufficient profitability to initiate a sorely needed equipment repair and replacement program.

While the financial investigation continued, SerVaas contacted many more plant purchase prospects in and around Indianapolis. Results were no better than he had experienced during a fast round of earlier calls. The City Council President began to think in terms of creating incentives for Uniroyal to retain the plant, or to purchase it himself. A new union contract with less costly terms seemed to be the key to the success of either alternative.

Following a month of no contact with local union leadership, James Carmichael, local union President, called and urged SerVaas to attend an immediate meeting of employee leadership. This occurred in early July. Plant equipment had been disconnected and moved to the shipping dock. A formal announcement to employees noted that equipment had been sold--a first of several planned divestments prior to final plant closing.

At the impromptu meeting with union executive committee members SerVaas passed on information he had gained during conversations with Uniroyal executives. He mentioned unsuccessful sales efforts by both the company and himself. He said he was absolutely convinced the plant would close unless something could be done to make it a more attractive business venture to Uniroyal or a new owner.

Union leadership accepted SerVaas' point of view. Local President Carmichael asked the City Council President to help persuade Uniroyal to reconnect equipment pending a "proposal" to the company. SerVaas said he would try... "but you people have to really want to keep your jobs if anything permanent is to happen here."

Over the next several days, the Council President spoke with Uniroyal tire division executives concerning equipment removal. By phone, SerVaas told company tire division executives that equipment removal and accumulating loss by attrition of trained work force would hamper his local sales efforts. He asked for more time and postponement of equipment sales. Company executives reluctantly agreed.

SerVaas then explored Uniroyal's interest in maintaining production with reduced labor costs and, perhaps, government financial help to renovate the facility. Uniroyal officials responded negatively. They intended to get out of the inner tube business as quickly as possible.

"Uniroyal was trying to do the correct thing," believed SerVaas. "They had made the correct announcements, but in their own minds they were going to shut down no matter what. They wanted to be nice guys about it, and they were, but these were impersonal big company managers. It was a perfunctory discussion. Nevertheless, it established some kind of relationship."

With all other prospects exhausted, the City Council President began operating as a private individual sometime during the summer of 1977. Though he continued to sound out possible investors, SerVaas had decided that he would become the investor of last resort, attempting to purchase the plant before shutdown. New contract negotiations ending with some form of wage concessions were likely. This left financing to be arranged and a new management team to be assembled.

Spencer launched contract talks with the union local, during July. For several months running these talks accomplished very little. It was an awkward situation for union leadership not certain that anything useful was taking place, yet very concerned about their future. SerVaas had not revealed to them his interest in purchasing the facility.

"I lost a lot of sleep over it. But I knew I would lose more sleep later if I didn't do it right," remarked local union President Carmichael. "How far do you go? How much do you give? I didn't know. It's no fun when (union) executive committee decisions are not agreed to by people who've been working in the plant all their lives."

A tentative agreement was reached in early October. Carmichael presented it to the membership with a marathon six-hour speaking bout. He shouted down all competition, insisting that this contract offer was the best they could hope for, and with or without it they still might be unemployed soon. Pensions were to be eliminated, along with supplemental unemployment benefits and dental insurance. Some low productivity work standard policies would be changed. An employee profit-sharing plan would be instituted in place of benefits lost. The tentative contract was ratified by the membership.

Terms of the contract helped to attract local bank interest in financing purchase of the plant. While Spencer broached the subject with officers of three local banks, SerVaas began to negotiate price with Uniroyal. This effort took him to the company's New York legal offices where he offered to purchase plant and equipment for slightly more than the auction value of equipment, plus a little over a dollar per square foot for the land and buildings. With just a moment of hesitation company attorneys agreed in principle. SerVaas indicated he would execute a written purchase agreement following successful financing arrangements and receipt of a Uniroyal guarantee to buy one-third of plant output for the first three years of its independent operation.

Soon afterwards, the prospective plant purchaser recruited James O. Kneisley, a former banker and financial consultant, and Donald Alsop, a former Firestone Rubber Co. manager and business consultant. He immediately put Alsop to work with Spencer on a product price list and a preliminary marketing plan. This job got underway as SerVaas and Kneisley began talking seriously with bankers. Following a hectic round of initial talks, the potential plant owner offered to provide $1 million in equity capital, and proposed that each of three local banks loan an equal share of the balance for equipment and real estate, plus a working capital revolving credit fund.

"The loan committees, being what they are, began to bargain," commented SerVaas. "They didn't want to loan the money at prime, but wanted quite a few points over prime. Normally, they wouldn't have made this loan at all. Everything was against it, except that I thought I could make it go, and our investigations were beginning to show the project was feasible.

"As we went deep into bank negotiations, there were rumors that Uniroyal might keep the plant in operation through May. So there was still a sense of calm. At times I thought, maybe they will not shut down after all.

"But two weeks before Christmas, company officers announced they would shut down on the 23rd of December and would not reopen. This had an electrifying effect. The bankers became more skittish. They suggested we get a finance company involved."

During the week before Christmas, Mayor William Hudnut came back onto the scene, mediating discussions between the three bank presidents and SerVaas. Late in the week, bank officials had agreed to make equal loans for working capital and equipment. They refused to carry a mortgage for the real estate.

On the chance that it would work, Kneisley called Uniroyal's principal negotiator and told them they had a deal, provided they would carry the mortgage. He offered to pay the roughly $600,000 involved over ten years. Just one hour before scheduled plant closing SerVaas and Kneisley received a call back to notify them that Uniroyal would accept these terms and would guarantee to buy a share of output. The same day SerVaas issued a press statement announcing the planned purchase, with a scheduled plant reopening date of January 16.

Reopening was delayed until January 23 by a neighboring business which had recently acquired some rail siding serving the inner tube plant. Forced to purchase the track by a Penn Central board of directors in receivership, the angered businessman insisted no one (especially Penn Central) would use the track. Negotiations for purchase or lease of the siding became the first concern of new managers: Donald Alsop, executive vice president for operations; William Spencer, executive vice president, marketing; and James Kneisley, treasurer and chairman of the executive committee.

A city hall summit meeting was called by Mayor Hudnut when loan closing got hung up on details. One of the three bank presidents insisted that SerVaas offer all his other business holdings as collateral. Eventually, he agreed to a compromise on this demand.

Summary of the Final Plant Financing Package:

$1,000,000	Private equity capital.
1,100,000	Equipment purchase loan shared among three Indianapolis banks.
2,500,000	Working capital fund shared among three Indianapolis banks.
600,000	Mortgage for land and buildings held by Uniroyal.
$5,200,000	TOTAL PACKAGE.

A nationwide coal shortage then threatened to close the plant all over again during February. Uniroyal plant executives had let coal supplies dwindle to almost nothing in anticipation of shutdown. It was Indianapolis Power & Light Company, sharing supplies of the scarce fuel, that assured continuing operations until other supplies could be obtained. Public fears of a power company coal shortage touched off local controversy about this arrangement, but these concerns were allayed through press statements which put the situation in perspective. The inner tube plant's monthly consumption of coal represented less than one day's supply to the power company, and adequate reserves had been accumulated in anticipation of a shortage.

Renamed the Indianapolis Rubber Co. by its new owner, the plant has come "full circle" according to current company marketing materials. Founded in 1892 under this name, the plant had operated independently for nearly 20 years before its purchase by the U.S. Rubber Co. in 1910. On January 23, 1978, it returned to independent status, pursuing an aggressive marketing strategy that has resulted in new customers and respectable profitability.

The company earned $800,000 before taxes on $11.5 million in sales during its first fiscal year of about six months. Debt service and taxes consumed $440,000 of these earnings, and half of the balance, some $180,000, was distributed among 590 employees in a first profit-sharing payment. The remaining cash flow has funded a $460,000 first year's capital budget for equipment repair and replacement. This emphasis is expected to continue for several more years.

"A small, initial research and development budget has an uncertain future," noted Donald Alsop. "We must diversify, adding high-technology products for greater profit margin.

The margin on inner tubes, across the industry, is just 2.8 percent.

"The majority of our workforce is happy with the change," added Alsop. "But there still is some doubt and fear out there on the shop floor. Monthly financial statements to employees have helped combat this. They seem to be more involved than they were under previous management. Our first profit-sharing payment helped a lot.

"Local union leadership is anxious to prove to Uniroyal that they made a mistake. Early on, our millpits were flooded, knocking out some big equipment drive motors. People worked fantastic hours to get us back on-line."

Mostly enthusiastic about the new management, local union President Carmichael agrees that workers generally are pleased. Two rotating, employee seats on the board of directors of the company have added a new dimension of participation and communication. Among new problems, however, the expected loss of pensions prompted a sizable group of former senior employees to retire during the last months of Uniroyal ownership. Replacement of these highly experienced workers led to other problems. Frequent turnover of newer employees may persist for a few years before stability is achieved again, Carmichael believes. The local union President and union membership have developed another big concern since the change.

"As a family-owned business, now, what happens if Beurt SerVaas dies? Or he decides to sell? Our whole industry, inner tubes, is dying. We need something to show for the future," Carmichael said.

"The human element makes plants go down--death, bad management, arbitrary decisions. It takes the human element to make them come alive again, to change with the times, and to grow."

APPENDIX B

PRACTITIONER'S NOTES[*]

Teamwork: Indispensable Element of an Area Industrial Development Program

Introduction

The purpose of this paper is to demonstrate that teamwork is the indispensable element of a successful area industrial development program.

The concept that teamwork is necessary and desirable for area development is not a new one. Several authorities have proclaimed the value of teamwork to industrial development. Richard Preston, former Executive Vice President of the American Industrial Development Council, describing the characteristics and philosophy of North American industrial development, states "By teamwork, confusion in the marketplace of industrial development is greatly diminished. Through teamwork each sector can concentrate on its own prime purpose while working closely with the other sectors in their interest."

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[*] Anthony R. Jarrett, C.I.D., FM, is Director of Economic Development for the Grand Rapids (Michigan) Area Chamber of Commerce. This article previously appeared in the Journal of the American Industrial Development Council and is reproduced here with the permission of the author.

Teamwork is necessary in attaining the goals of industrial development by expanding employment opportunities, encouraging capital investment and strengthening the economic base of a region.

What is teamwork? A team is a number of persons associated with a joint action. Teamwork then is the work of a team with reference to coordination of effort and to collective efficiency resulting in competency in performance in a joint action.

The terms AREA and REGION have been used synonymously throughout this paper.

Any region of the U.S. and Canada attempting to establish a regional development operation faces a unique situation. Regional geography, population, the present economic base, type of government and local customs are some of the many factors which will influence the composition of a region and its attitudes to cooperative industrial development.

There are, however, a number of tested fundamental strategies and techniques which can be used successfully and adapted to a variety of individual regional development situations.

The practitioner wishing to organize, plan, finance and implement a productive area development program must, above all, believe that teamwork IS the fundamental and indispensable element to collective efficiency.

This paper utilizes established, well tested business practices that are used by countless corporations in creating and marketing a product; a business plan, a marketing plan and a financial plan. The same practices are required in developing a well organized regional industrial development program. This paper, designed for practical use by the practitioner, utilizes these concepts in "developing and marketing the product of regional development."

Use of Two Case Histories

The procedures outlined in this paper are based on two case histories involving quite dissimilar regions, and will therefore substantiate that carefully developed area development techniques can be adapted to a variety of industrial development situations in widely varying geographic regions.

The experiences gained from the case histories have been broken down into a series of steps. By using this approach rather than the narration of two case histories, it is felt that the industrial practitioner, encountering for the first time the need to implement effective area development, will find these notes on tested techniques of value in accomplishing regional coordination of effort through teamwork.

Population and Economic Characteristics of the Two Regions

A description of the two regions on which this paper is based will be helpful.

Northern New England Region (1965-1973)

One region is located in the northeastern portion of the state of New Hampshire and the southeastern part of the state of Maine. Its focal points are the cities of Portsmouth, New Hampshire and Kittery, Maine. The two cities have a collective population of 50,000 persons, a surrounding area of 120,000 persons, making a total regional economic area of 170,000 persons.

Two Federal installations provide the major source of civilian employment for the region. One, a strategic bomber command base located in Portsmouth-Newington, New Hampshire; the other the Kittery (sometimes termed Portsmouth) Naval Shipyard, which is actually located in Kittery, Maine.

The area's economic base was vulnerable to changes in national defense policy and during the middle 1960's faced a distinct possibility that one or both Federal installations would be cut back or possibly phased out, with singularly drastic effects upon the bi-state regional economy and employment.

Bi-state and regional cooperation had been noticeably lacking with an insular approach to problems of an economic or industrial development nature.

In 1965 an area development program was embarked upon by the City of Portsmouth, New Hampshire with the goal of creating a more diversified manufacturing base, specifically by the encouragement of new industries into the Maine-New Hampshire seacoast region.

North Central Midwest Region (Period 1973-1975)

The focal point of this region is the City of Grand Rapids located in western Michigan. The City of Grand Rapids (the second largest city in Michigan) has a population of 190,000 persons. Grand Rapids is a mature industrialized business center of over 1,000 manufacturers with a well diversified economic base. It is also the major banking, wholesale and retail center for western Michigan.

The Grand Rapids Standard Metropolitan Statistical Area (SMSA) with a population of almost 500,000 persons is a bi-county region.

Population growth for the Grand Rapids SMSA is predicted to increase substantially during the 20-year period 1970-1990. Reliable estimates have shown that new employment opportunities must be created to meet the needs of the growing labor force. Employment expansion, based on projected estimates of new job opportunities stemming from established industries and businesses will not be sufficient to meet the rapidly growing job demand. Expanded and area-wide industrial development programs were therefore seen as a viable solution to these problems.

Grand Rapids and nine smaller incorporated cities are the primary population centers of the region. There are 22 townships in the region, the two largest with populations of 20,000 and 22,000, respectively, the smallest with 2,800 persons.

The Grand Rapids region, prior to 1973, had some established precedent for regional cooperation, especially in the development of a substantial municipal water supply by the City of Grand Rapids which for many years has sold water to the smaller incorporated cities and townships in the region.

Regional cooperation in waste disposal and public transportation has reached the discussion stage by 1973; no attempt, however, had been made to embark upon a job producing area-wide economic development program.

In 1973 the Chamber of Commerce created an economic development division and allocated funds for the hiring of a professional director. The project objectives called for an area-wide concept of economic development aimed at creating more employment opportunities within and for the region.

The City of Grand Rapids employs a full-time Economic Development Officer, whose responsibilities are limted to the City of Grand Rapids proper.

The Characteristics and Priorities of the Three Sectors Associated with Regional Industrial Development

Before embarking upon a business plan for regional industrial development, the practitioner must possess an understanding of the characteristics of each sector and their respective priorities with an area development program.

There are three sectors involved with area development:

The Private Sector

Which includes: corporations, developers, financial institutions, industrial realtors, insurance firms, railroads and utilities.

The Civic Sector

Which includes: business development corporations, chambers of commerce (or boards of trade), industrial development corporations or foundations, regional and area organizations.

The Public Sector

Which includes: federal, regional, provincial, state and county government agencies. Multicounty or regional planning commissions, metropolitan and municipal government agencies and universities.

Each sector has a common interest in the goals of economic development, specifically the growth of productive employment opportunities, the encouragement of capital investment into a region and the strengthening, diversification and expansion of the region's economic base.

Each sector, although motivated by a common interest, will place a different emphasis or priority upon its involvement and frequently, even upon its objectives.

It is not important which one of the three sectors initiates an area development program. It *is* important that one sector provides initial and sustained leadership, if successful teamwork is to materialize within the region.

A Business Plan for a Regional Industrial Development Program

An essential "first step" is that a business plan be established by the agency initiating the regional development program before any attempt is made to organize or promote an area program. A statement of regional policy must be presented to and agreed upon by regional representatives of all three sectors and their subdivisions.

It is NOT sufficient to outline a general or philosophical business plan. The lack of clearly defined goals will result in each sector interpreting the program to meet its particular interests. This will lay the seeds of future frustration, poor communication, inability to adequately fund the regional organization, or seriously jeopardize the necessarily long-range nature of an effective regional program.

Experience has demonstrated that goals should in most instances be:

1. Job oriented. Goals which speak solely to or emphasize expansion of the tax base are subject to misunderstanding, especially by local units of government. Tax base is not and should not be given as the reason for industrial development in a regional program.

2. Early implementation of the goals should be stressed. Research, data collection and other resource aspects will be important; but care must be taken to avoid an initial impression of "studies" or "regional planning."

Implementation is the key word so far as policy for regional development is concerned.

A specific and desirable policy, therefore, for a regional development program might take this form: "Purpose: To maximize and expedite the creation of additional job opportunities through a well planned effective program to be vigorously and continuously implemented through total and cooperative regional efforts."

A Marketing Plan for a Regional Development Program

Careful thought and the focusing on key issues are the major approaches for a successful marketing plan for regional industrial development.

A systematic marketing process is essential as a beginning. One standardized approach can be used to acquaint the three sectors of the advantages of regional teamwork. It is best to develop a specific marketing program, tailored to respond to the differing interests of each of the three sectors, however.

Additional time taken to develop and plan an individually thought out marketing plan is indeed time well invested.

The following are guides to this technique of marketing the product, i.e., a regional result oriented teamwork development concept.

A Plan for the Public Sector

It must be immediately recognized that the public sector is by far the most difficult sector to motivate. Regionalism will be opposed to varying degrees by the public sector. Joint action, the fundamental ingredient of a production area development program, will receive negative or even strong opposition. An industrial development practitioner aspiring to initiate a new area development program must recognize this basic fact of life.

Therefore, even though the area development specialist knows exactly what his organization is going to do, the appropriate steps of coordination and communication must be well planned and carefully devised.

At the onset, local and regional government agencies must be made aware that an effective regional development program depends on several basic facts:

1. An effective regional development program can only result from the active support and involvement of all communities in the area;
2. Every community within the area can expect to benefit from effective area-wide industrial and business development programs;

3. The idea that governmental units, private businesses and private citizens can combine their individual efforts into a team approach is not revolutionary; but putting it all together and making it work and produce results does not just happen; and
4. New and prospective expanding industries and businesses are primarily interested in what an entire region has to offer; therefore, it is the entire region that is critically evaluated.

It is very important to explain to local government officials that it is always corporate officials who decide which local community is eventually selected for expansion. It is not the decision of the area development organization or their professional staff.

Leonard C. Yaseen, Senior Partner, Fantus Locational Service, states in PLANT LOCATION: "As a preliminary it is vital that local interests be made aware of the importance of new payrolls and their ultimate effect on the growth and prosperity of the community." Yaseen also points out that only when "all civic and private interests are convinced through an intelligent public relations campaign that industrial expansion is vital and desirable is the community ready to launch into a sound industrial development program."

It is prudent for the area development professional to explain to local government officials right in the beginning that some communities are likely to attract more industrial and economic growth initially, than other communities within the same region. This will be due to, for example, the non-uniform distribution of available and competitively priced industrial sites within the region, varying zoning policies, varying proximity to U.S. interstate and state highways and airports, and possibly the availability of utilities. This frankness will provide a reaction of confidence in both the area development specialist and his organization. It will also lessen the future risk for the withdrawal of funds by one or several local government bodies that became incensed when a new regional industry or two "didn't locate in my community."

A Plan for the Private Sector

Utilities, corporations, financial institutions and industrial realtors rarely will need convincing of the many benefits which accrue from an area-wide industrial development program. These business groups will have to be convinced that the area development organization has the capability, motivation and professional competence necessary to lead and coordinate a regional teamwork effort.

The same basic facts of product marketing outlined previously for the public sector are appropriate also for the private sector.

In addition, it is essential that the developer establish personal rapport with the area's business leaders, realtors, executives of utilities and the numerous other organizations which are vitally concerned about the future growth and employment level within the region.

These businessmen represent the resources that will provide the technical guidance and manpower vital to assisting the area development organization to build an effective development program.

The practitioner will need assistance in developing industrial parks, identifying sources of funds, locating available buildings, to list but a few of the many resource needs of the area development specialist.

The local and regional resource teams are also the key to the successful processing of new industrial prospects visiting the region to determine the regions's potential for plant or business expansion. Visiting prospects regard their business counterparts as possessing technical competence in their respective fields.

Meetings with visiting industrial executives also expose the business leaders in the region to the activities of an area-wide industrial program and will result in support from the business community.

The area development specialist must, therefore, recognize his dependency upon local resources and in that recognition commit a significant amount of time in soliciting assistance from and obtaining support from the many resources within the private sector.

A Plan for the Civic Sector

The civic sector will usually comprise one or more Chambers of Commerce and/or an industrial or business development corporation.

The organizations are, by their nature, usually oriented to area development and frequently assume leadership in establishing an area-wide program. The civic sector recognizes that economic boundaries or areas are not tied to political boundaries.

The civic sector can and does encounter difficulties in embracing regional development when an existing governmental industrial commission already exists in a region prior to the organization of an expanded area-wide program.

At best, a regional development effort may be regarded by the existing organization as duplication of effort; at worst, outright antagonism from an existing municipal development organization may follow initial efforts to implement a regional program.

The basic truism that "every community within the area can expect to benefit from effective area-wide industrial and business development programs" is the fact that must be communicated to avoid this early pitfall.

The existing city economic development organization is invariably supported by the citizen taxpayer. As a result, it is often faced with actual restraints specified by municipal ordinance (or by political reality) to confine its activities entirely within the core city.

The civic sector, on the other hand, does not face these restraints. A Chamber of Commerce, for example, can readily assume the responsibility for representing every community in the region. It must, however, be careful to establish an early understanding that it will act as an impartial representative for the _entire_ region.

A Financial Plan

Adequate and long-term financial support is essential to an area development program. The financial backing must be shared by the private, public and civic sectors if the full effectiveness of the teamwork approach to area development is to be fulfilled.

If an existing industrial development organization located in a region decides to, or is called upon to provide leadership for expanding regional development, existing staff is usually available. There will, however, be insufficient funds available to embark into a regional development program.

The existing organization, therefore, may assume its first priority to be the solicitation of additional funds for an area-wide program.

Paradoxically, the most effective financial plan may well be a deliberate decision to delay any request to any source for additional funds for area development. There are logical reasons for this statement:

1. Problems or outright resistance will be encountered when requesting funds from local government units because the potential value of regional support and cooperation for regional economic development cannot initially be proven by any demonstrated or available results.
2. Additional funds for regional development usually are not required or even necessary to an existing industrial development organization during the preliminary period of organizing an expanded area-wide development program. Most of the increased costs for future regional development will be needed for prospect development, media advertising, out-of-state travel, and perhaps eventually, additional staff may be required in support of these expanded activities.

   It is neither prudent or even financially sound to commit such expenditures until an area-wide program has been carefully developed and organized into an effective teamwork unit.
3. Quite frequently the basic resources which are essential to an area industrial development program will be lacking. These shortcomings may include the lack of an accurate and up-to-date regional data bank or regional profile, the cataloging of industrial sites located throughout the region and a carefully developed program for prospect development.

The agency which is providing leadership for area teamwork and development must assume the responsibility for basic regional resources. Experience has shown that when existing regional resources and latent regional cooperation are put to use, most or all of the basic needs of an area development program can be obtained without the initial need to request funds. Equally important, the use of teamwork will immediately establish a valuable object lesson of the efficiency and economy which does result from regional coordination of effort.

Methods of Demonstrating that Teamwork is Effective

A well-organized cooperative teamwork effort, involving the three sectors, can and will demonstrate that seemingly large, complex, costly and time-consuming tasks can be completed both quickly and at low cost.

Here is one example from many of the necessary projects which have to be accomplished before a basic area development program can become effective: It is a prerequisite to successful industrial development that an accurate inventory of industrial sites be available for the region served. Even if an inventory already exists for a proposed economic region, it will inevitably be (1) incomplete, or (2) inaccurate to a degree, or (3) out of date. It is also essential to establish one centralized source of site and site services information to assist new business prospects and existing regional industrialists in the most efficient way.

Each sector can contribute to the compilation of an accurate inventory providing the project is well coordinated. Representatives of each sector should be invited to membership on a project advisory task force. Most or all of the site and site services data to assemble a site handbook is already recorded somewhere in the region. The task, then, is to identify, locate and assemble the existing information in a systematic manner for use as a centralized source of information for the region.

Information Which Is Usually Readily Available From Local Government Units

Parcel numbers for each tract, zoning codes, taxing and school districts, name and owner of parcel, specific information on public water and sewage systems to each site, county topographic sections for all or most sites, county soil characteristics.

Information Which Is Readily Available From The Private Sector

Specific information can be obtained from utilities concerning existing or proposed electric power and natural gas to each site. Railroads serving the region will provide all pertinent information of railroad service to industrial sites. A local or regional real estate board can provide staff, its library resources and the assistance of industrial realtors to advise on site locations and asking prices.

The Role Of the Civic Sector

The civic sector can arrange for and coordinate the physical inspection of each site using a field survey team and direct the collection of data from available sources.

Field survey teams can be recruited from a local college or colleges. The college students can collect the data. A considerable amount of specific site data can be obtained and compiled off of the site.

Each local government agency is consulted and participates in the contribution of data, the editing of the site sheets, along with numerous other regional organizations. The effectiveness of regional teamwork will therefore be readily apparent by self-involvement. The demonstrated results of this strategy as used in the metropolitan Grand Rapids area are well documented from a report provided to all cooperating regional agencies. An abstract from the report is shown in Table 1.

TABLE 1

Industrial and commercial sites physically field surveyed:	206
Number of sites accepted for inclusion in regional site catalog:	166
Approximate number of acres surveyed:	4,000
Minimum size of sites included in inventory:	3 acres
Number of local communities involved in the site survey:	17
Number of counties encompassed in survey:	2
Total time collecting service data:	4 months
Total time from commencing project to publishing completed site specification sheets:	11 months
Gross cost of project:	$5,200
Less cash contributions from County Planning Commission and Real Estate Board:	$2,000
Net cost to existing industrial development organization:	$3,200

The real significance of the above table lies in the effective results obtained from a practical demonstration of regional teamwork and its impact upon obtaining long-term and sustained financial support from the region because of the early proof that area cooperation IS effective.

The Management of Regional Resources Through Teamwork

The organization providing leadership to an area development program must initiate early and desirable teamwork attitudes to the management of resources.

Two of the many critical resources to an area organization are those related to:

1. A catalog of industrial and commercial sites; and
2. An inventory of available industrial and commercial buildings, both encompassing the entire region.

Ways of collecting and inventorying site data have already been outlined. It is not a simple task to ensure that the information is maintained on a continously up-to-date basis for maximum effectiveness and accuracy.

One teamwork solution is for the area development group and the regional board of realtors to share in both the collecting, updating and use of economic, labor, sites and building data. This arrangement can be made through a written cooperative agreement between the two agencies. The arrangement will specify client relationships in prospect negotiations. The sharing of information, the protection of a realtor's commission rights, the potential difficulties of client confidentiality, are situations which must be frankly discussed at the beginning of such a professional relationship.

There is no doubt that the area developer can gain valuable professional assistance when a listed property can be negotiated by the realtor on behalf of the area organization. The realtor is trained and experienced in property sales and leases--the area developer usually is not.

Conversely, the industrial realtor frequently lacks the regional economic data resources and lines of communication with numerous local government agencies which the well-organized area development organization enjoys.

In effect, cooperative teamwork between a regional board of realtors and a regional development organization significantly increases the individual and collective effectiveness of both groups leading to continuing contribution to the goals of regional development.

The cooperative agreement between the Grand Rapids Area Chamber of Commerce and the Grand Rapids Real Estate Board has proven to be singularly effective. This agreement has been in force for over two years. No amendments have been proposed by either organization. Fourteen successfully completed projects involving real estate properties have been completed on behalf of the Chamber of Commerce by members of the Real Estate Board. Each realtor involved has earned a commission on the sale or lease of the fourteen properties involved.

Financing an Area Development Program

The three sectors must become convinced by personal and organizational involvement in successfully concluded practical demonstrations of area development that teamwork is: (1) effective; (2) efficient; and (3) necessary to area industrial development goals.

Earlier, mention was made of the organization of a task force which included representatives from each unit of government. These government representatives that have been involved with the early functions of area development now become the vehicle to implement area-wide financial support.

A realistic budget for an area-wide industrial program should be presented to this task force and their advice and counsel sought in preparing a final budget for presentation to the various municipalities within the region. Various formulas can be used for arriving at an equitable assessment of each community's share of regional funding. Here is one method which has proved workable:

Annual Budget for Regional Operations

Source	Amount	Purpose
Civic Sector (Area Chamber of Commerce	$50,000.00	Covers staff salaries and share of cost of office space.
Private Sector (Real Estate Board)	$ 5,000.00)	Share of cost of regional operations
Public Sector (Local Government Units)	$25,000.00	
Total Budget	$80,000.00	

Note 1: The Chamber of Commerce assumes responsibility for the salaries of its full-time professional industrial staff. The other sectors therefore do not become involved with staff salary increases or other personnel matters.

Note 2: The accumulative funds from the private and public sectors ($30,000) are devoted entirely to regional development operational costs, i.e., cost of telephone, travel, prospect development, etc.

A useful and tested method of assessing each government unit is to use the following formula:

Let the agreed total contribution from the government sector be: $25,000.

Let the total government contribution be assessed on the basis of:

a. the region's total population expressed as number of persons, and

b. the region's total property assessed valuation expressed in dollars.

Then let each government unit be assessed a median percentage share based on its individual share of total regional population and assessed valuation compared to the regional whole.

Example:

a. Say the total population of the region is 50,000 persons.

b. Say the total property assessed valuation of the region is $75,000,000.

Let us apply the prorated assessment to one municipality we will call Municipality #1.

Municipality #1 has a population of 5,000 persons (10% of the region's total of 50,000 persons). Has a total property valuation of $6,750,000 (9% of the region's total of $75,000,000).

Municipality #1 shall be assessed at the median value between 10 percent and 9 percent, i.e., 9.5 percent.

Therefore, Municipality #1 shall be assessed at 9.5% of the total regional budget of $25,000 for a share amounting to $2,375.

This method of proportioning cost sharing of area development has a number of advantages:

1. It balances regional variations of population and property values.
2. It is readily adaptable to regional communities which have only a small industrial base or are wholly residential communities.
3. It enables the more rural communities to be realistically assessed, compared to the more urbanized communities within the same region.

4. Each succeeding annual budget can continue to use the same basic formula regardless of the actual budget level or number of financially participating local governments.

The regional development organization should never become involved in directily soliciting the funds from regional units of government. Should a request be made by the government representative for a joint regional staff presentation to his other elected officials, then by all means become directly involved.

The cardinal rules for financing an area development program are:

1. Let area government officials become personally convinced that area development teamwork works and then,
2. Let those elected government officials promote the concept and request sufficient funds from their own units of government.

A real estate board will soon become aware of the advantages of area-wide cooperation. Its realtor members are among the major beneficiaries of successful expansion of the regional economy and of new job development.

Realtors value the benefit of an aggressive well-organized area promotional campaign and will be willing to contribute to the area development agency's efforts on behalf of developing new leads and clients on behalf of the entire region.

Summary

The essence of regional teamwork lies in the willingness of all regional organizations, businesses and government units to accept the benefits of regional teamwork and to financially contribute to and support the objectives of effective industrial development. Teamwork is the indispensable element to implementing these objectives.

APPENDIX C

LISTING OF MICHIGAN ECONOMIC DEVELOPMENT CORPORATIONS

ECONOMIC DEVELOPMENT CORPORATIONS IN MICHIGAN COUNTIES AS OF AUGUST 1979

County	Established
Antrim	4/24/79
Arenac	6/25/79
Bay	7/12/77
Berrien	8/15/75
Calhoun	8/19/75
Cass	10/5/77
Cheboygan	11/9/77
Chippewa	1/77
Clare	2/11/76
Clinton	2/22/77
Crawford	12/14/78
Delta	8/9/76
Dickinson	6/7/76
Eaton	6/20/79
Emmet	4/25/78
Genesee	12/14/77
Grand Traverse	11/17/78
Gratiot	12/29/78
Iosco	8/3/77
Isabella	6/20/79
Jackson	3/17/77
Kalamazoo	8/30/77
Kalkaska	4/03/79
Keweenaw	2/02/79
Leelanau	5/17/79
Lenawee	9/20/77
Luce	5/25/78
Manistee	9/12/78
McComb	3/09/79
Mecosta	5/12/77
Missaukee	8/15/78
Muskegon	1/17/77
Ogemaw	12/6/77
Ontonagon	12/10/76
Ottawa	2/3/78
St. Clair	5/25/78
Saginaw	3/16/79
Shiawassee	5/16/77
Wayne	5/78
Wexford	5/03/79

ECONOMIC DEVELOPMENT CORPORATIONS IN MICHIGAN CITIES AS OF AUGUST 1979

City	Established	City	Established
Albion		Mackinac Island	1/76
Alpena	8/21/78	Madison Heights	6/11/79
Allegan	9/30/77	Marine City	6/21/78
Ann Arbor	9/06/78	Marquette	4/05/79
Bad Axe	3/29/79	Mason	3/26/79
Bangor	3/07/78	Menominee	7/25/77
Battle Creek	5/21/76	Monroe	5/24/79
Bay City	4/25/76	Mt. Clemens	4/02/79
Belding	3/21/78	Munising	--
Benton Harbor	3/09/77	Muskegon	2/19/75
Brighton	10/16/78	New Baltimore	3/15/79
Brown City	4/27/79	Northville	1/19/78
Cadillac	7/26/78	Norton Shores	8/76
Center Line	8/04/78	Plymouth	8/11/78
Davison	11/20/78	Pontiac	12/7/77
Dearborn	11/10/77	Portage	2/3/78
Dearborn Heights	6/21/79	Port Huron	1/10/78
Detroit	9/76	Portland	9/12/78
Dowagiac	9/1/76	Richmond	6/14/79
East Detroit	8/4/77	Riverview	5/16/79
Escanaba	5/18/77	Rochester	7/09/79
Ferrysburg	2/28/79	Rogers City	4/12/78
Flint	6/12/78	Romulus	7/8/77
Frankenmuth	3/29/79	Saginaw	9/3/75
Fraser	4/24/79	Saline	2/23/78
Gagetown	8/06/79	Sandusky	--
Grand Haven	2/13/78	Scottville	5/25/78
Grand Rapids	4/26/76	Southgate	10/13/78
Grandville	2/28/78	South Haven	5/31/78
Greenville	12/29/78	South Lyon	1/30/78
Hamtramck	3/20/79	Sterling Heights	5/19/77
Hastings	2/01/78	Sturgis	3/2/78
Hillsdale	9/29/78	Taylor	8/11/78
Holland	11/16/77	Traverse City	9/18/78
Houghton	2/20/79	Trenton	6/26/78
Inkster	9/26/77	Vassar	11/16/76
Ionia	2/07/78	Walker	3/14/78
Ishpeming	2/23/77	Walled Lake	7/14/78
Kalamazoo	3/07/77	Warren	7/27/79
Kentwood	6/08/77	Wayne	4/26/78
Kingsford	3/30/76	Westland	1/27/77
Lansing	2/06/76	Woodhaven	6/10/77
Lapeer	2/23/79	Wyandotte	5/03/79
Lincoln Park	8/76	Wyoming	1/20/78
Livonia	5/03/79	Ypsilanti	2/15/79
Ludington	6/28/78		

ECONOMIC DEVELOPMENT CORPORATIONS IN MICHIGAN TOWNSHIPS AND VILLAGES AS OF AUGUST 1979

	County	Established
Townships		
Alpena	Alpena	9/25/78
Avon		5/17/79
Ann Arbor	Washtenaw	2/15/79
AuSable		4/10/79
Bedford	Monroe	2/17/78
Bridgeport	Saginaw	11/3/78
Bruce		
Byron	Kent	5/14/79
Canton	Wayne	10/18/78
Cato	Montcalm	11/29/78
Chesaning	Saginaw	1/11/79
Chesterfield	Macomb	6/18/79
Clinton	Macomb	7/25/78
Delhi	Ingham	2/11/77
Delta	Eaton	2/19/76
Elba	Lapeer	5/29/79
Filer	Manistee	8/11/78
Fort Gratior	St. Clair	2/26/79
Frenchtown	Monroe	3/12/79
Genesee	Genesee	3/9/77
Georgetown	Ottawa	9/27/77
Grosse Ile	Wayne	7/19/78
Harrison	Macomb	5/31/79
Holland	Ottawa	6/22/78
Indianfields	Tuscola	4/23/79
Lawrence	Van Buren	8/30/78
Northville	Wayne	10/4/77
Otsego	Allegan	1/16/79
Pontiac	Oakland	2/18/77
Pittsfield	Washtenaw	1/17/79
Port Huron	St. Clair	2/23/78
Portage	Houghton	3/30/79
Redford	Wayne	9/15/77
Richfield	Genesee	6/19/78
Richland	Saginaw	2/26/79
Saginaw	Saginaw	11/8/78
Shelby		5/01/79
Van Buren	Wayne	11/15/77
Waterford	Oakland	2/09/79
White Lake		5/01/79
Ypsilanti	Washtenaw	3/27/79

Townships and Villages (Continued)

	County	Established
Villages		
Caro	Tuscola	3/26/79
Carsonville		12/21/78
Cass City	Cass	4/24/79
Chesaning		12/28/78
Columbiaville		5/07/79
Dundee		10/18/77
Holly		3/13/79
Jonesville		9/1/78
Marlette		8/21/78
Millington		2/22/79
Minden City		11/6/78
New Haven		5/25/79
St. Charles		--
Saugatuck		11/21/78
Sparta		5/14/79
Ubley		4/04/79

DOWNTOWN DEVELOPMENT AUTHORITIES IN MICHIGAN AS OF FEBRUARY 1979

Bay City
Buchanan
Cadillac
Davison
Detroit
Dowagiac
Flint
Hastings
Imlay City
Jackson
Lansing
Marquette
Monroe
Northville
Pontiac
Port Huron
St. Joseph
Traverse City
Ypsilanti

APPENDIX D

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